FOREWORD

The Reserve Bank of India regularly brings out the Report on Currency and Finance, which was traditionally considered as a comprehensive source and record of economic developments. The structure of this Report has been re-oriented since 1998-99 from just documenting the economic developments to a 'theme-based report'. The theme-based Report offers the professional economists working in the Bank, an opportunity to work on relevant topic every year and make incisive analysis of the theme both in the global and the Indian context and come out with an analytical Report offering possible policy solutions to the issues examined. The dissemination of these Reports to a wider section of the user-community is an important exercise. The Report pertaining to the period between 1935-36 and 1998-99 are available only in printed form. The Reports from 1999-2000 have been placed on the Reserve Bank's website. In these days of widespread use of information technology, it is felt useful to bring out the Reports in a single DVD. I hope this will be an invaluable collector's item among the policy makers and academia.

The digitization process of the Reports was undertaken by Shri Ashok Kapoor, Chief Archivist, Reserve Bank of India Archives and supported by the services of Smt. Sandhya Dhavale, Assistant Librarian, under the guidance of Shri K.U.B. Rao, Adviser, Department of Economic Analysis and Policy and Shri Sandip Ghose, Principal and Chief General Manager, College of Agricultural Banking, Pune. I place on record my deep appreciation of their efforts.

Mumbai
April 1, 2009

(Rakesh Mohan)
Deputy Governor
Reserve Bank of India

REPORT ON CURRENCY AND FINANCE 1991-92



VOLUME I

ECONOMIC REVIEW

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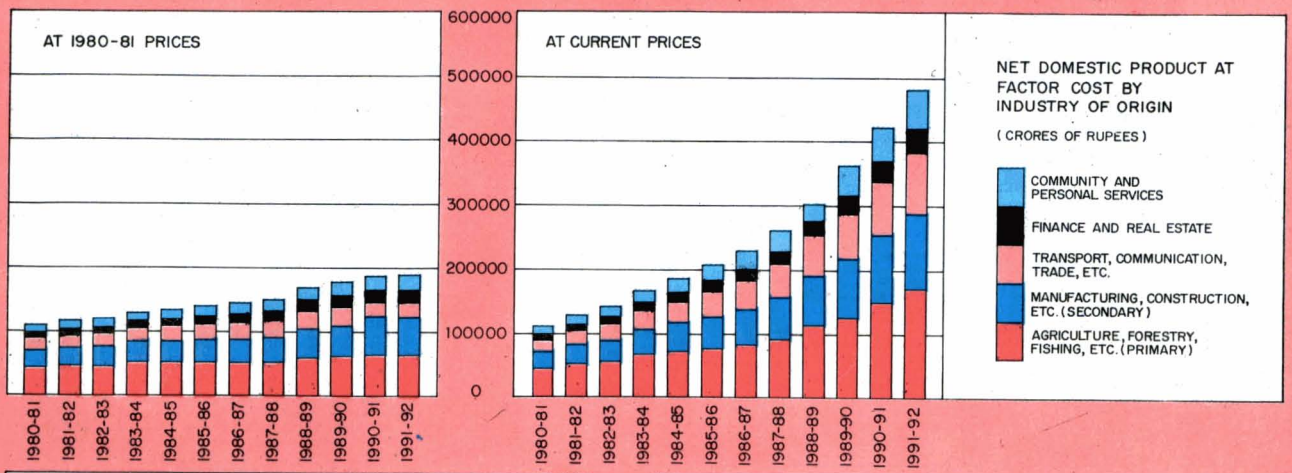
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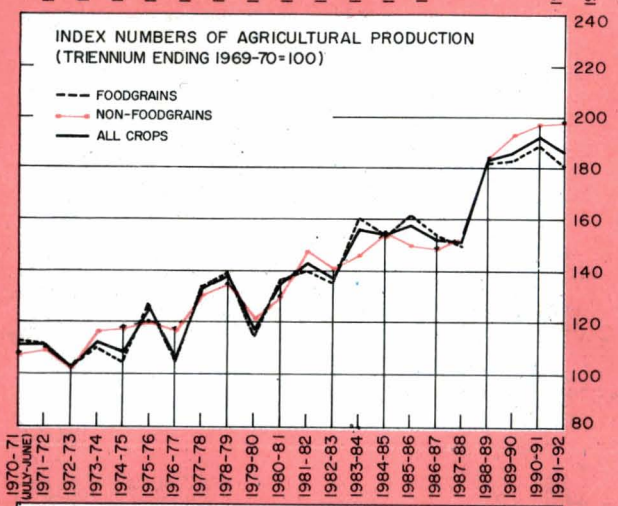
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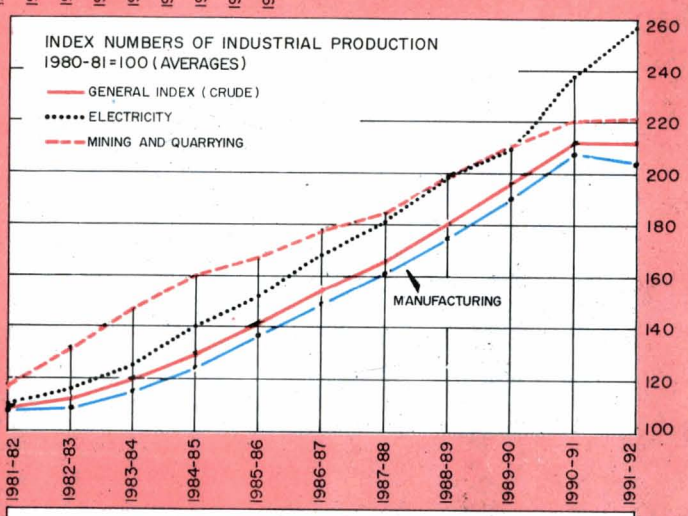
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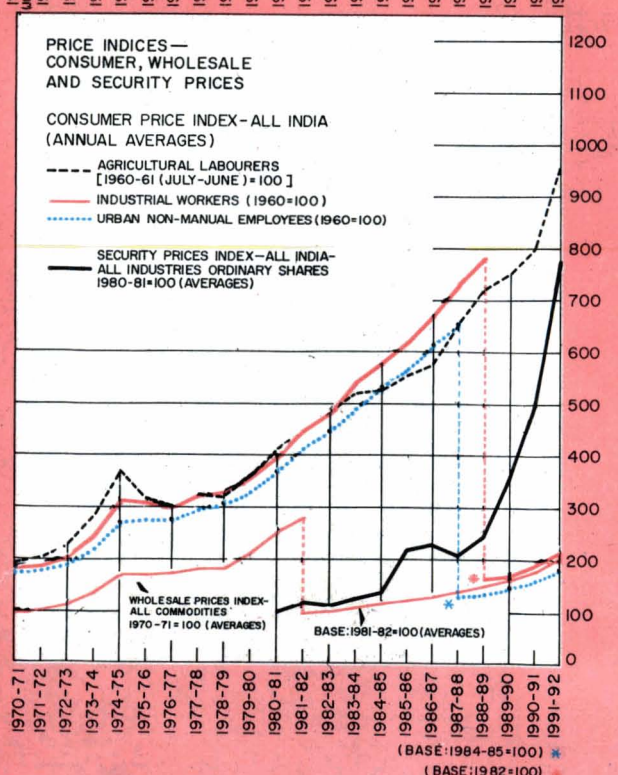
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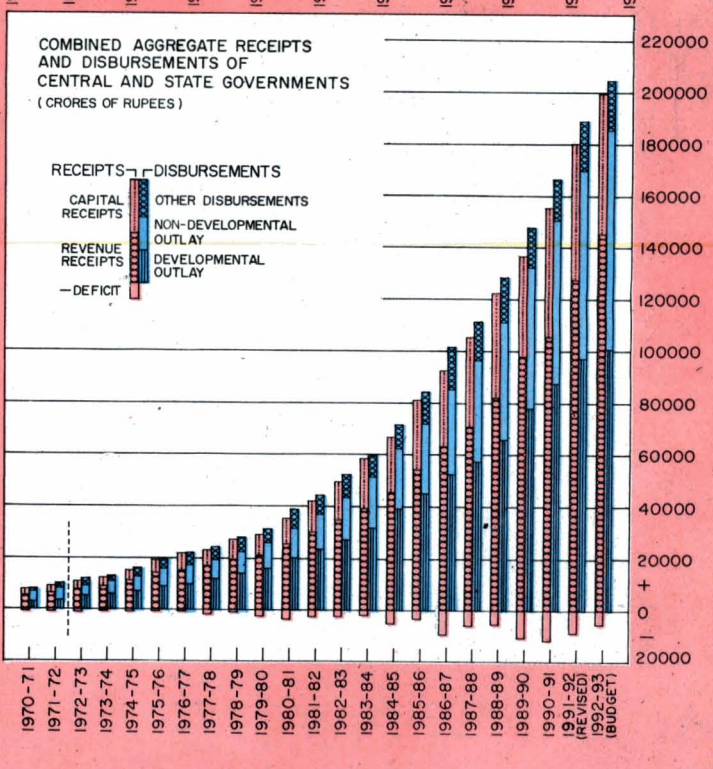
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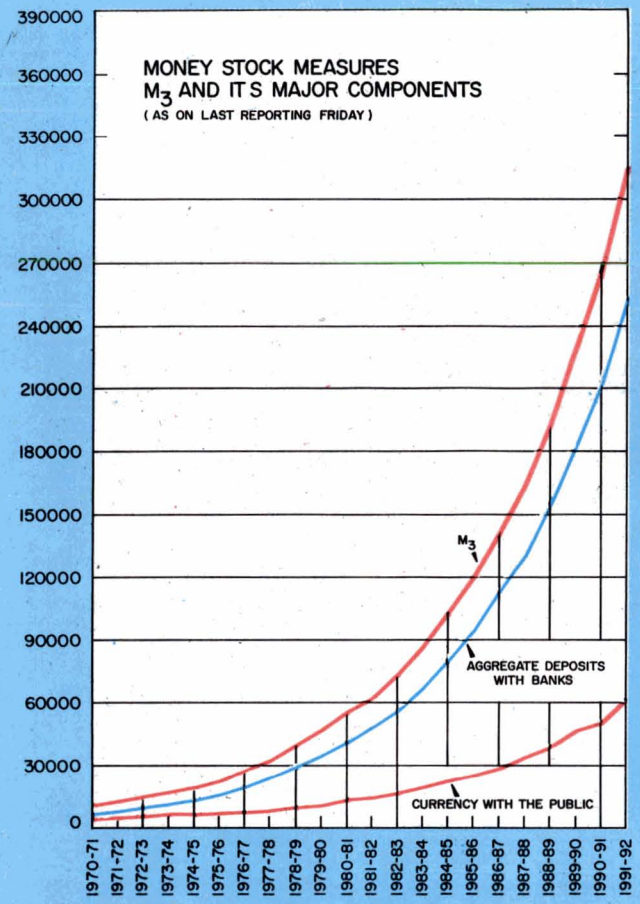


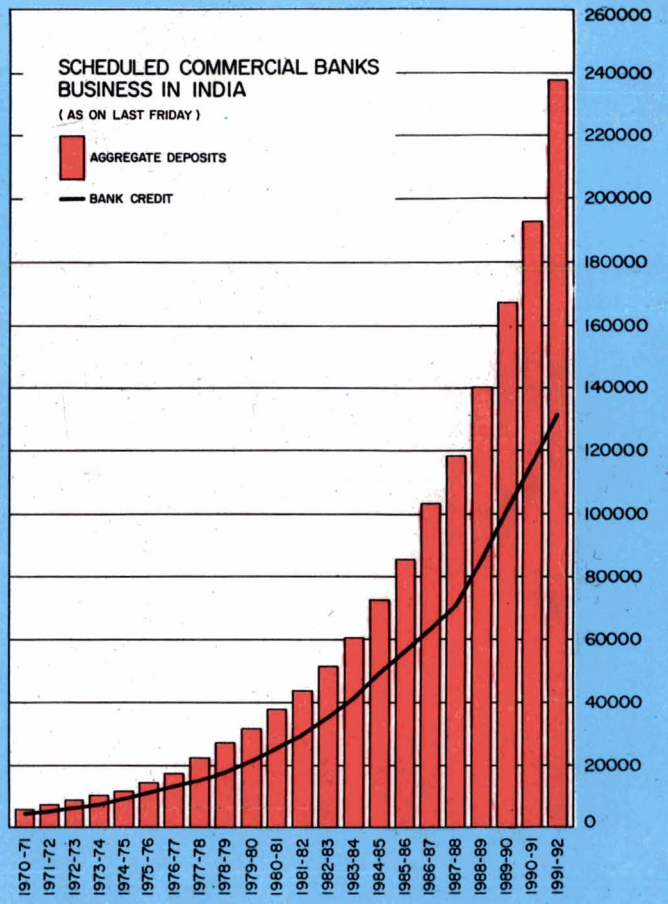


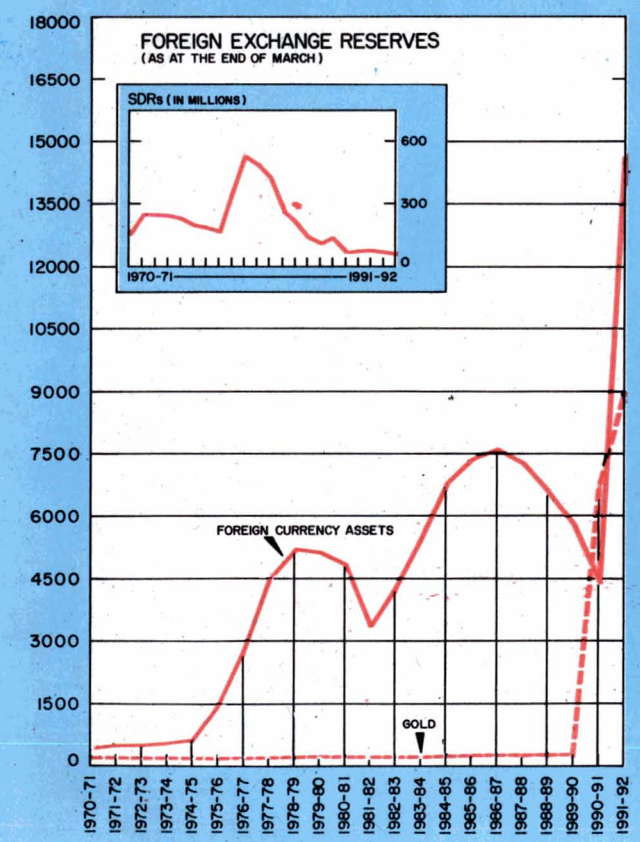


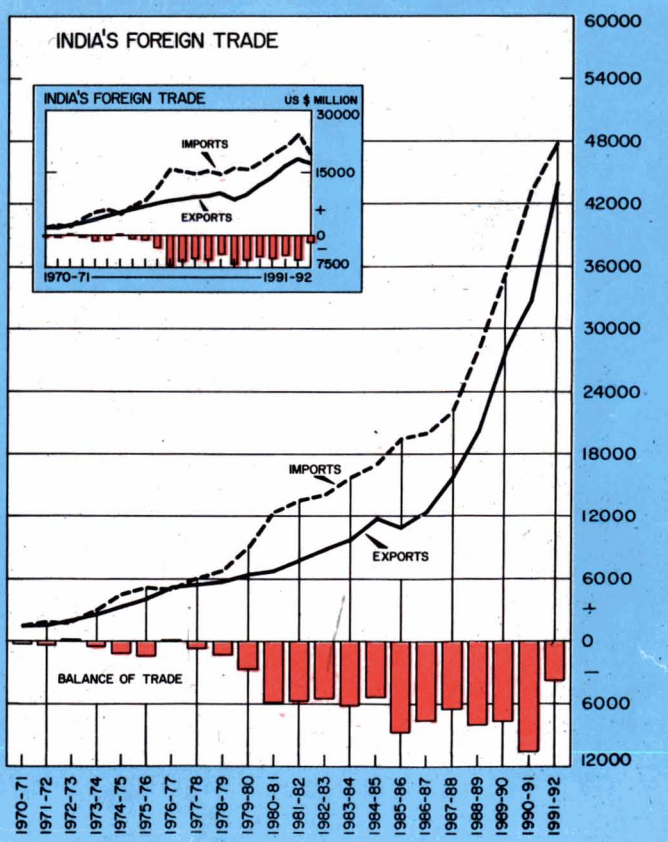
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CHAPTER I

Review of Developments

The Indian economy faced a distinct slowdown during fiscal 1991-92 after a decade of relatively high growth. The dominant factors in this low growth were stagnation in industrial output and a decline in agricultural production. The process of fiscal correction and adjustment, set in motion during 1990-91, gained momentum during the year which was reflected in a reduction in Gross Fiscal Deficit. Monetary and banking trends revealed a sharp acceleration in liquidity growth arising out of large foreign exchange accretion. The secondary segment of the Indian capital market witnessed an unprecedented buoyancy during fiscal 1991-92. There was continued pressure on balance of payments up to the second quarter of the year. Thereafter, there was a marked improvement in the country's international liquidity position as a result of a series of crisis management measures and quick action on stabilisation and structural adjustment programmes. The price situation remained disquieting marked by an accentuation of inflationary trends with a rate of inflation of 13.7 per cent (on average basis) as against 10.3 per cent in 1990-91.

Review of Developments during 1991-92[1]

The economy witnessed a growth rate of 1.2 per cent in *Gross Domestic Product* (GDP) at factor cost (1980-81 prices) during 1991-92—the lowest since 1980-81; it was significantly lower than that of 5.2 per cent during 1990-91 and the trend growth rate of 5.5 per cent during the decade 1980-81 to 1990-91. The rate of *Gross Domestic Saving* (GDS) increased from 23.5 per cent in 1990-91 to 24.3 per cent in 1991-92. The rate of gross investment, on the other hand, declined from 26.3 per cent during 1990-91 to 25.6 per cent in 1991-92. The fall in investment rate in 1991-92, despite an increase in the rate of GDS, was due to a sharp reduction in the rate of capital inflow from abroad.

A strong growth in liquidity was witnessed during fiscal 1991-92. Broad money (M_3) increased by Rs.49,256 crore (18.5 per cent) as against a rise of Rs.34,878 crore (15.1 per cent) in the previous year. The increase in M_3 was mainly due to the large accretion of foreign exchange assets of the banking sector. Demand deposits increased by 32.7 per cent during 1991-92 as against 14.7 per cent in the previous year. The pace of currency expansion was also higher at 15.4 per cent than the previous year's increase of 14.6 per cent.

The rate of inflation, based on movements in Wholesale Price Index (WPI) (base:1981-82=100), on a point-to-point basis, was higher at 13.6 per cent as compared with 12.1 per cent in the previous year. The prices of essential commodities such as rice, wheat, coarse cereals, fruits and vegetables, milk, eggs, fish and meat, condiments and spices and sugar, in particular, increased sharply resulting in the index for 'primary articles' going up substantially by 15.3 per cent. The indices for other major groups, viz., 'fuel, power, light and lubricants' and 'manufactured products', also increased by 13.2 per cent and 12.6 per cent, respectively.

The severe external payments crisis which the Indian economy faced during the first half of the year eased by September 1991. From October 1991 onwards there was a steady accretion to the reserves. Foreign currency assets of the Reserve Bank of India which had fallen precipitously to a level of US $ 975 million on July 12, 1991 reached a level of US $ 5.6 billion by the end of the year, equivalent to the value of imports for about three months.

There were several factors responsible for the turnaround from October 1991. Measures of compression adopted to dampen overall absorption, particularly import demand, resulted in a large saving on account of current payments. Net receipts from invisibles (inclusive of official transfers) improved somewhat, partly due to accruals of US $ 863 million under the Foreign Exchange (Immunities) Scheme.

1. The reference period of the Report is the financial year 1991-92; more recent data and estimates are presented wherever available.

As a result, as quick estimates would indicate, the current account deficit (inclusive of accrued interest on NRI deposits and debt service relating to defence debt) shrank to US $ 2,897 million or 1.2 per cent of GDP during 1991-92 from US $ 7,728 million or 2.6 per cent of GDP in the preceding year.

Inflows of US $ 1.6 billion under the India Development Bonds Scheme helped to mitigate the loss of more or less an equivalent amount from the FCNR accounts, essentially representing portfolio switches with longer maturity.

The foreign currency assets of the Reserve Bank of India rose by US $ 3,395 million during 1991-92 as against a decline of US $ 1,132 million in the preceding year. SDR holdings declined by US $ 12 million as compared with a decline of US $ 5 million in 1990-91. The gold holdings of the Bank increased to the extent of 18.36 tonnes during the year consequent upon the purchase of gold from the Government in December 1991. In US dollar terms, the value of gold holdings remained almost unchanged, given the weakness in international bullion prices.

Developments during 1992-93

There was a revival of the economy in 1992-93. A positive feature was the good performance of the agricultural sector with record foodgrains production as well as oilseeds output. There was some revival in industrial activity with a growth rate of 3.9 per cent during the first eight months of the year. With improved performances in the agricultural and industrial sectors, the Indian economy is set to stage a good recovery and register a GDP growth rate of 4.2 per cent during 1992-93, the first year of the VIII Plan. The year also witnessed a moderation in the rate of inflation. Government finances during the first half were characterised by distinct buoyancy in tax revenues. Increased revenues, expenditure containment programme and reorientation in public debt management have constituted major planks of the overall strategy of fiscal correction and adjustment. The external sector came under strain during the first half mainly on account of the bulging trade deficit leading to the widening of the current account deficit. Export performance has been a worrisome feature with a growth rate of a mere 2.2 per cent which was much below the target of 12.8 per cent for the year. Imports surged ahead in the wake of trade liberalisation measures and the revival of the economy. The widening of the trade deficit has resulted in a drawdown of the reserves.

Agriculture

As a result of the beneficial impact of the temporal and spatial distribution of rainfall during the South-West Monsoon, agricultural production is expected to be higher by 5.0 per cent in 1992-93 in contrast to a decline of 2.8 per cent in 1991-92. As against the target for foodgrains production of 183.0 million tonnes, the estimated output is placed at around 176.7 million tonnes; it would be substantially higher by 5.7 per cent over the level of 167.1 million tonnes in 1991-92.

The 1992 *Kharif* foodgrains production is expected to register an increase of 8.0 per cent at 98.7 million tonnes over the preceding *Kharif* season's output of 91.4 million tonnes, though it would fall short of the target of 103.3 million tonnes. Seasonal conditions were favourable with regard to the *Rabi* crop and the expectation is that *Rabi* output would be around 78.0 million tonnes as against the target of 79.7 million tonnes. As regards other major agricultural commodities, the prospects are extremely good for oilseeds and cotton. Good rainfall together with efforts to raise oilseeds production have helped to improve the *Kharif* oilseeds production in the 1992 season to 10.5 million tonnes, thus exceeding the target of 10.0 million tonnes. Among the major oilseeds, *Kharif* groundnut production is estimated higher at 56.0 lakh tonnes as against 48.5 lakh tonnes in the previous *Kharif* season. In view of the rains in northern India in late September the *Rabi* oilseeds output is expected to be around 9.5 million tonnes as against the target of 9.0 million tonnes. Thus, the total oilseeds output during 1992-93 would be around 20.0 million tonnes as compared with 18.3 million tonnes in 1991-92. Production of sugarcane in 1992-93 is expected to be lower at 230.0 million tonnes, as compared with the record production of 249.3 million tonnes in 1991-92. Consequently, sugar production during 1992-93 is anticipated to be lower at

around 114 lakh tonnes as compared with 134 lakh tonnes in the previous year. The total availability of sugar is estimated at around 163 lakh tonnes and, after meeting the requirements of internal consumption and exports, the closing stocks at the end of 1992-93 would amount to 38.63 lakh tonnes (49.02 lakh tonnes at the end of 1991-92). Cotton production in 1992-93 is tentatively estimated by the Cotton Advisory Board(CAB) at 122.0-124.0 lakh bales. With the opening stocks of 32.78 lakh bales, the availability at 154.78-156.78 lakh bales would be in excess of the anticipated demand. As regards tea, production suffered a setback mainly on account of adverse seasonal conditions in the South. Output during 1992 is placed much lower at 703.9 million Kgs. as compared with 741.7 million Kgs. during the previous year. Production of jute and mesta is estimated lower at around 7.6 million bales as against the previous year's output of 10.2 million bales. With a carryover stock of 1.65 million bales, total availability at 9.25 million bales would fall short of the demand. The stocks of foodgrains with public sector agencies as at end-January 1993 were lower at 14.2 million tonnes, as against 14.5 million tonnes a year ago. As wheat stocks were much lower as compared with the previous year, the Government of India had to resort to import of 3.0 million tonnes of wheat in order to replenish its buffer stocks. Rice stocks at the end of January 1993 were comfortable and well above the norm.

Industry

The policy initiatives taken to bring about structural reforms in the industrial sector since July 1991 were carried forward during 1992-93 with the objective of promoting economic efficiency and competitiveness. The initiatives taken during the year included further delicensing/deregulation of industries, relaxations in respect of foreign investment and follow-up measures for the promotion of small and tiny enterprises.

During the first nine months of 1992-93, industrial production increased by 3.6 per cent as against a decline of 0.6 per cent in the corresponding period of the previous year[2]. Sector-wise, 'manufacturing' recorded a growth rate of 3.7 per cent during the period (–2.5 per cent), while 'mining and quarrying' recorded a growth rate of 2.1 per cent (–0.3 per cent). 'Electricity' sector, on the other hand, recorded a lower growth rate of 4.6 per cent (9.6 per cent).

The performance of infrastructure industries during the first eleven months recorded a growth of only 2.2 per cent (7.3 per cent). Among the infrastructure industries, except petroleum refinery products, all the other industries recorded either lower rates of growth or a decline in output. Industrial output is expected to show only a modest increase of around 4 per cent in 1992-93.

Price Situation

There has been a marked improvement in the price situation during 1992-93. The inflation rate, on a point-to-point basis, during the full financial year 1992-93 was 6.7 per cent (13.6 per cent). On the basis of averages also, the inflation rate was lower at 9.9 per cent (13.7 per cent). The deceleration in the inflation rate may be attributed to an improved supply of agricultural commodities and monetary and fiscal measures. The price increases were lower during the year in respect of two major groups, viz., 'primary articles' and 'manufactured products'. The price rise in respect of 'fuel, power, light and lubricants' was higher on account of a hike in prices of petroleum products. The increase in Consumer Price Index for Industrial Workers during 1992-93, (February 1993 over March 1992), on a point-to-point basis, was also lower at 5.7 per cent (13.9 per cent).

Notwithstanding this deceleration in the inflation rate, it would be necessary to keep a close watch on the behaviour of prices particularly in view of the increase in *Rabi* procurement prices, increase in other administered prices, the unification of the exchange rate and compulsions of demand management and credit expansion to induce industrial revival.

Monetary Developments and Credit Policy

Monetary policy for 1992-93 was consistent with the Government's declared objective of reducing the gross fiscal deficit from 6.5 per cent of GDP

2. All comparisons hereafter are with the corresponding period of the previous year figures for which are given in brackets.

in 1991-92 to 5.0 per cent of GDP in 1992-93. In order to realise the full anti-inflationary impact of the reduction in fiscal deficit, considerable moderation in monetised deficit has been envisaged during 1992-93. This together with the moderation in foreign exchange inflows due to the suspension of the acceptance of deposits under Foreign Currency (Banks and Others) Deposit Scheme (FCBOD) in July 1992 helped moderate the monetary expansion. Monetary expansion during the financial year 1992-93 on the basis of monetary data before closure of Government accounts for March 31, 1993 was lower at Rs.46,316 crore or 14.7 per cent (Rs.49,256 crore or 18.5 per cent); the growth rate in 1992-93 up to March 31, 1993 was, however, higher than the targeted rate of growth of 10.4 per cent for the full financial year 1992-93. In respect of narrow money (M_1), the expansion was moderate at Rs.8,613 crore or 7.5 per cent (Rs.22,160 crore or 23.9 per cent) essentially because of a decline in demand deposits and a slower pace of expansion of currency. During the period March 31, 1992 to March 31, 1993, the growth in reserve money at Rs.11,434 crore was substantially lower (Rs.11,730 crore).

Among the sources of change in money supply, two factors contributed to the slower expansion. First, increase in net bank credit to Government before closure of Government accounts was lower at Rs.16,274 crore or 10.3 per cent (Rs.18,101 crore or 12.9 per cent). The increase in net RBI credit to Centre was lower at Rs.4,157 crore (Rs.5,508 crore). The lower expansion in net RBI credit to the Centre reflected the reorientation in public debt management policy in terms of which the borrowing programme was lowered taking into consideration the available resources for investment in securities auctions of longer maturity Treasury Bills and dated Government securities. Repos auctions introduced since December 1992 have also helped to reduce the magnitude of net RBI credit to the Centre. Secondly, net foreign exchange assets of the banking sector recorded once again an increase, though of a lower order Rs.3,809 crore, following the revaluation at market rate on March 5, 1993. Bank credit to commercial sector registered an increase of Rs.24,389 crore or 12.8 per cent (Rs.19,296 crore or 11.2 per cent). The much larger flow of bank credit reflected the imperative need to revive industrial and agricultural production.

As regards scheduled commercial banks' operations, the faster pace of deposit growth witnessed during 1991-92 continued in the initial months of 1992-93, i.e., upto July 1992. To a large extent, this was on account of the continued large accrual of foreign exchange deposits and other such liabilities. Subsequently, the rate of growth of aggregate deposits slackened. During the full financial year 1992-93 (March 20, 1992 to March 19, 1993) aggregate deposits increased by Rs.36,389 crore or 15.8 per cent (Rs.38,217 crore or 19.8 per cent). While demand deposits registered an increase of Rs.659 crore or 1.5 per cent, time deposits increased sharply by Rs.35,730 crore or 19.2 per cent; during the comparable period of previous year, demand and time deposits increased by Rs.11,896 crore (35.8 per cent) and Rs.26,321 crore (16.5 per cent), respectively. There was a quantum jump in bank credit by Rs.25,462 crore or 20.3 per cent (Rs.9,291 crore or 8.0 per cent). The bulk of the increase in bank credit was on account of non-food credit which went up by Rs.23,389 crore or 19.3 per cent (Rs.9,127 crore or 8.2 per cent). The very large expansion in non-food credit occurred due to the easing of restrictive credit policy measures during the year and also certain special factors, such as, reduction in bill rediscounting, credit related to securities irregularity, higher inventories and special factors accounting for higher receivables such as in the case of the fertiliser industry. Notwithstanding these special factors, there was a distinct broadening of credit. The credit-deposit ratio as on March 19, 1993, was higher at 56.5 per cent than that of 54.4 per cent a year back. The incremental credit-deposit ratio as on March 19, 1993 was also significantly higher at 70.0 per cent than the ratio of 24.3 per cent recorded a year back.

Developments in Credit Policy

The credit policy for the financial year 1992-93 was geared to respond to the credit requirements of industrial and agricultural sectors and encouragement of exports without diluting the need to moderate monetary expansion to control inflationary pressures. The credit policy took note of Government's declared objective of reduction of gross fiscal deficit from 6.5 per cent of GDP in

1991-92 to 5.0 per cent in 1992-93. With this end in view, steps were taken to reorganise the gilt-edged market in such a way as to reduce Government's dependence for credit from the RBI and the banking system.

The various credit policy measures taken during the year are outlined briefly. In order to increase the lendable resources of banks to support revival of economic activity, banks were exempted from the maintenance of the 10 per cent incremental Cash Reserve Ratio (CRR) for any increase in net demand and time liabilities (net DTL) over the level as on April 17, 1992. With the reduction in effective CRR as a result of the discontinuation of requirements of incremental cash reserves, the procedure for payment of interest on eligible cash balances was also streamlined. The process of rationalisation of lending rates was carried forward and the number of categories of size of limit of advances was reduced from 6 to 4. Simultaneously the deposit rate structure was also rationalised and the interest rate slabs for term deposits wre reduced from three to one with a single prescription of 'not exceeding 13.0 per cent', with effect from April 22, 1992. In the context of the anticipated reduction in gross fiscal deficit of the Centre and the perceived deceleration in the inflation rate, Statutory Liquidity Ratio (SLR) to be maintained by banks up to the level of outstanding net DTL as on April 3, 1992 was reduced from 38.5 per cent to 37.75 per cent in three phases of 0.25 percentage point each. To augment the credit flow to the productive sectors one-third of the additional cash balances maintained under incremental CRR up to the level of April 17, 1992 was released to the banks in three equal instalments. Because of the modifications introduced in the two ratios, the effective incremental pre-emptions of commercial bank deposits which stood at 63.5 per cent in 1991-92 came down to 45.0 per cent in the first half of 1992-93 and further to an estimated 25.0 per cent in the second half of the year.

In the context of the reduction in inflation rate to a single digit level and the emergence of relatively high real rates of interest, the minimum lending rate on credit limits of over Rs. 2 lakh was reduced from 19.0 per cent to 18.0 per cent in October 1992. As a measure of relief to the export sector, interest rates on export credit were reduced by one percentage point across the board. Furthermore, in order to give a fillip to the export sector, a target for export credit was prescribed in terms of which each bank was required to achieve an export credit level equivalent to 10 per cent of its net bank credit by end-June 1993. In consonance with the reduction in lending rates for borrowers and to reduce the cost of funds to banks, deposit rates for maturity of 46 days to 3 years and above was reduced from 13.0 per cent to 12.0 per cent in October 1992. Among other measures mention may be made of (i) provision of credit of Rs. 1,000 crore to the agricultural and industrial sectors through NABARD and IDBI, (ii) relaxation of norms for calculation of maximum permissible bank finance and (iii) enhancement of threshold limit for providing term loans by banks for projects. Changes were also effected in the policy measures governing banks' advances against selected sensitive commodities, keeping the supply-demand position in view. As part of the overall objective of developing the Government securities market, the following measures were taken. A Government Securities Refinance Facility was introduced from the fortnight beginning October 31, 1992 with a view to providing liquidity to commercial banks for their excess holdings of Government and other approved dated securities. Repos auctions in Central Government dated securities from the Reserve Bank's portfolio are being conducted from December 10, 1992 to improve short-term monetary management of excess liquidity in the system and to even out interest rates in the call money market.

The credit policy for the first half of 1993-94 was announced on April 7, 1993, recognising the progressive activisation of debt management policy and endeavouring to gradually move from direct to indirect instruments of monetary control.

Fiscal Developments

The budget of the Government of India for 1992-93 proposed wide ranging structural reforms and measures to help achieve macro-economic stabilisation. With Centre's aggregate receipts increasing at a faster rate than its aggregate disbursements, the overall deficit was budgeted lower at Rs.5,389 crore as against Rs.7,032 in 1991-92 (Revised

Estimate). The deficit on revenue account was also placed significantly lower. The Gross Fiscal Deficit (GFD), which had reached a level of Rs.37,792 crore (6.5 per cent of GDP) in 1991-92, was anticipated to be lower at Rs.34,408 crore (5.0 per cent of GDP) in 1992-93.

According to the RBI records, the fiscal position of the Government of India as on March 19, 1993, indicated that while budget deficit at Rs.13,960 crore was higher by 31.6 per cent over the level recorded on the corresponding date of previous year, net RBI credit to Central Government at Rs.2,262 crore was lower by 78.4 per cent than the level recorded on the comparable date of the previous year. Net RBI credit to the Centre was lower than budget deficit reflecting lower monetisation of the latter. The fortnightly averages of budget deficit and net RBI credit to the Centre during 1992-93 (up to March 19) show that while the former at Rs.11,779 crore was marginally higher by 0.7 per cent, the latter at Rs. 6,812 crore was lower by 34.4 per cent than those in the corresponding period of the previous year.

The Central Government mobilised Rs.8,776.74 crore during April 1992-March 1993 through 24 auctions of 364-day Treasury Bills. Net of repayments of the 182-day Treasury Bills outstanding at the end of March 1992, the additional resources mobilised in 1992-93 under the longer dated Treasury Bills amounted to Rs.4,791.22 crore. The cut-off yield rate on the 364-day Treasury Bills ranged between 10.96 per cent and 11.42 per cent per annum. With a view to further developing the Treasury Bill market and moving towards market-related rates of interest on Government securities, the Government introduced auctions of 91-day Treasury Bills in addition to the existing system of 91-day Treasury Bills made available on tap at a pre-determined discount rate of 4.6 per cent per annum. The cut-off yield rate for the auctioned 91-day Treasury Bills ranged between 8.95 per cent and 10.97 per cent per annum. The Central Government also mobilised through auctioning of its dated securities a gross amount of Rs.4,820.85 crore with cut-off yield on them ranging between 12.00 per cent and 12.75 per cent per annum depending on the maturity period.

The budget of the Central Government for 1993-94 presented to Parliament on February 27, 1993 aims at carrying forward the process of fiscal correction and giving at the same time a renewed thrust to plan (development) programmes. The budget was formulated against the backdrop of a positive turn in the overall economic scene in 1992-93.

According to the revised estimate for 1992-93, the GFD was placed at Rs.36,722 crore as against Rs.34,408 crore in the budget estimates mainly reflecting the widening of the revenue deficit by Rs.2,818 crore or 20.3 per cent, as capital expenditures (including net lending) were only 2.0 per cent higher than their original provisions. The deterioration of the revenue account was only partly offset by an enhanced surplus on the capital account. As a result, the budget deficit was revised to Rs.7,202 crore from Rs.5,389 crore. Although the revised estimates of budget deficit and fiscal deficit are higher than those in the budget estimates, they are within the 'tolerable limits'.

For 1993-94, the budget deficit, at the existing rates of taxes and duties, is placed lower at Rs.333 crore than that of Rs.7,202 crore in the previous year. The tax proposals announced in the budget are expected to result in a net loss of Rs.4,522 crore - mainly on account of customs and excise duty changes of which the Centre's share would be Rs.3,981 crore. Taking into account the substantial loss in revenue, Centre's budget deficit would go up to Rs.4,314 crore in 1993-94, which, however, would still be lower than the previous year's level. The revenue deficit is budgeted to increase to Rs.17,630 crore in 1993-94. This would imply that capital expenditure would be constrained for want of adequate finance.

The fiscal position is expected to improve in 1993-94 on the assumption that there would be robust growth and modest inflationary situation.

Capital Market

During 1992-93, developments in capital markets were characterised by hectic activity in the primary market both in terms of number and amount of new capital issues by non-Government public

limited companies. On the other hand, the secondary market, remained generally subdued.

With the repeal of the Capital Issues Control Act (since May 29, 1992) approvals for issues(based on data for April and May 1992), given by the Controller of Capital Issues together with that on clearance of prospectuses/letters of offer by the Securities and Exchange Board of India (SEBI) (from June 1992 onwards) amounted to Rs.9,111.0 crore on account of 567 issues, during the first seven months of the year. They were higher by Rs.1,805 crore or 24.7 per cent as compared with the corresponding period of 1991-92. Approvals for non-Government companies showed a substantial rise while those for Government companies declined sharply during the year.

During the first eleven months of 1992-93, (April – February), according to provisional data, 914 new capital issues by the non-Government public limited companies aggregated Rs.18,296.5 crore (Rs.5,017.9 crore through 468 issues).There was a shift in favour of rights issues from prospectus issues and a higher growth of debenture issues as compared with equity issues during the period.

In the secondary market, share prices displayed enormous volatility as could be observed from the four phases in their movements. In the first phase, there was an unprecedented buoyancy which lasted till about the end of April 1992 reflecting speculative transactions. In the second phase, equity prices declined substantially as a result of the fall-out of the discovery of irregularities in Government securities transactions and the SEBI's notification making registration of brokers obligatory. The third phase from about the middle of August 1992 saw a cautious recovery in share prices, reflecting the general expectations of better agricultural performance than in the previous year and the announcements about liberalisation made for foreign institutional investors. From September 19, 1992, prices again drifted downward and the market remained generally bearish, with the exception of a limited revival in February 1993 on favourable expectations from the budget.

The Bombay Stock Exchange Sensitive Index (1978-79=100) showed considerable volatility during the year. Trends in it as well as in the RBI (Weekly) All-India Index Number of Ordinary Share Prices (Base:1980-81=100) reflected the above phase-wise movements. The RBI Index which stood at 1485.4 in the last week of March 1992, went up to 1622.0 in the last week of April 1992 but declined thereafter to 1032.3 on August 8, 1992. It moved up again and reached 1,243.5 by September 19, 1992 However, the recovery proved short-lived and the index fell once again to touch a low of 885.9 by week-ended March 27, 1993. During the year 1992-93, on a point-to-point basis, the RBI Index declined by 40.4 per cent.

According to provisional data, assistance sanctioned by the All-India Financial Institutions (AIFIs) during the first nine months of 1992-93 (April - December), at Rs.22,152.1 crore was higher by 69.9 per cent over that in 1991-92. The amount disbursed by these institutions at Rs.9,355.2 crore was higher by 47.3 per cent as compared with the previous year.

Balance of Payments

Even though the pressures on external payments have subsided, the balance of payments situation continues to need attention. There was a build-up in reserves in the first four months of the year largely due to the inflows under FCBOD Scheme. Over the year 1992-93 the reserves showed an increase of US $ 612 million. Net drawals from the IMF in 1992-93 amounted to US $ 1288 million.

According to the latest data available from the Directorate General of Commercial Intelligence and Statistics (DGCI & S), exports in dollar terms recorded a modest rise by 2.2 per cent during the period April 1992 to January 1993, to US $14,660 million (US $14,345 million). Exports to the General Currency Area (GCA) showed a growth rate of 10.5 per cent. In sharp contrast, the decline in exports to the Rupee Payment Area (RPA) was 65.7 per cent in dollar terms. Reflecting the relaxation of the import compression measures, imports rose sharply by 14.6 per cent to US $18,256 million (US $15,929 million). As a result, the trade deficit more than doubled to US $3,596 million (US $1,584 million). The trade deficit arising entirely from oil account transactions was in fact partly offset by a modest surplus on non-oil account. Even at this level, the trade deficit

during the period under review was lower by around US $1.9 billion than that of US $5,447 million during the comparable period of 1990-91. Given the level of POL imports and the import intensity of industrial sector, the trade balance would remain under severe pressure if exports do not increase perceptibly.

Quick estimates indicate that on a payments basis, the trade deficit doubled to US $6,012 million during April-December 1992 (US $3,009 million). The rising trade deficit reflected a pick-up in import demand and sluggish export growth. Imports are inclusive of roughly US $1 billion of gold brought in by Indians returning from abroad for which the contra-entry in balance of payments is private transfers. For the year as a whole, the trade deficit is expected to be more than US $6 billion (including gold imports and debt servicing related to defence debt) as against a little over US $3 billion estimated for 1991-92.

Net receipts from invisibles are expected to be somewhat higher than in the preceding year due to a larger number of tourists visiting the country, and an increase under private transfers to offset the inflow of gold recorded under imports. Investment income payments representing mainly interest payments would be higher as also would be payments on account of royalties, technical fees, professional services, etc. The current account deficit for the year as a whole inclusive of accrued interest on NRI deposits and debt service payments relating to defence debt may be around US $ 5.5 billion or 2.3 per cent of GDP.

Under the capital account, utilisation of external assistance is expected to be lower than in the preceding year by around US $750 million, while amortisation would be higher. Disbursements of external commercial borrowings, essentially trade-related credits, are expected to be on balance with amortisation payments. Outflows under the FCNRA Scheme slowed down considerably during the year and since October 1992 there has been a net inflow. For the year as a whole, there was a net inflow of US $86 million under the Scheme. The FCBOD Scheme, which yielded large inflows during the early months of the year recorded outflows from August 1992 with the suspension of the Scheme and withdrawals of deposits therefrom. There was a reduction in the stock of short-term debt and it is expected to continue in the remaining months.

Ever since the introduction of the LERMS, the spread between the official and indicative market rates was steady at around 17.0 per cent for most of the time till the end of January 1993. The steep depreciation of the Rupee in the market in February 1993 was an aberration caused by speculative activities.

With the unification of exchange rates effective March 1, 1993, the Rupee appreciated in the inter-bank market from Rs.33.14 per US $ at the end of February to Rs.31.45 per US $ by March 18, 1993. Along with the strengthening of the rupee, there have been accruals to reserves in the form of purchases of foreign currencies from authorised dealers which in turn represent faster repatriation of export proceeds and remittances. As a result, the Reserve Bank's foreign currency assets which stood at US $ 5,009 million as on March 2, 1993 increased to US $ 6,434 million on March 31, 1993.

To sum up, the performance of the economy during 1992-93 based on the data available indicates that the real growth rate may be above 4 per cent. This has been facilitated by improved outturn of agricultural crops. The performance of the industrial sector is, however, sluggish and only a modest recovery is expected. Thus attention needs to be focused on the revival of industrial activity so that it does not become a drag on the overall performance of the economy. The abatement of inflationary forces, though welcome, leaves no room for complacency since there is considerable scope for further reduction through improved demand and supply management. On the external front, signs of revival are discernible. The fact that the Reserve Bank has been able to maintain more or less the level of foreign exchange reserves over the last several months indicates that on a current basis inflows and outflows are matched. Exceptional financing has also helped in this process. Although imports have surged due to the release of the pent-up demand after liberalisation, exports need to accelerate so as to avoid a pressure on the reserves.

CHAPTER II

National Income, Saving and Investment

The growth rate of Gross Domestic Product (GDP) (at factor cost at 1980-81 prices) is estimated at around 1.2 per cent during 1991-92 (Quick Estimates, CSO) as compared with 5.2 per cent during 1990-91 (provisional). The revised growth rate of real GDP is now placed at 5.6 per cent during 1989-90 (Table II—1).

Performance during 1991-92

Net Domestic Product (NDP) (at factor cost at 1980-81 prices) is estimated to have recorded a growth rate of around 0.7 per cent during 1991-92 as compared with 5.1 per cent during 1990-91 and 5.5 per cent during 1989-90. The rate of growth of real national income (net national product at factor cost at 1980-81 prices) is estimated at 0.9 per cent during 1991-92 (5.2 per cent in 1990-91 and 5.5 per cent during 1989-90). Accordingly, the real per capita income is estimated to have declined by 1.1 per cent during 1991-92 in contrast to the growth of 3.0 per cent during 1990-91 and 3.3 per cent during 1989-90 (Table II-2).

The Gross Domestic Saving (GDS) rate, which decreased from 24.6 per cent during 1989-90 to 23.5 per cent during 1990-91, is estimated to have increased to 24.3 per cent during 1991-92 (Table II-3). Similarly, the Net Domestic Saving (NDS) rate, which decreased from 15.8 per cent during 1989-90 to 14.9 per cent during 1990-91, is now estimated to have increased to 15.6 per cent during 1991-92 (Table II-4). The increase in the NDS rate during 1991-92 is accounted for by the increased saving rate of private corporate sector and reduced dissaving rate of public sector. The net domestic saving rate of household sector is also estimated to have increased during 1991-92 (Table II-5). The aggregate net investment income ratio is estimated to decline to 17.1 per cent during 1991-92 from 18.0 per cent during 1990-91 on account of estimated decline in net inflow of foreign resources from 3.1 per cent in 1990-91 to 1.5 per cent in 1991-92.

A. Trends in National Product

According to the Quick Estimates released by the Central Statistical Organisation (CSO), Gross National Product (GNP) (at factor cost at 1980-81 prices) showed an increase of 1.4 per cent to Rs. 2,09,306 crore during 1991-92 as compared with the increase of 5.2 per cent to Rs. 2,06,375 crore during 1990-91 and the increase of 5.6 per cent to Rs. 1,96,132 crore during 1989-90 (Table II-1).

The real Gross Domestic Product (GDP) (at factor cost) originating from agriculture had a growth rate of (—)1.8 per cent during 1991-92 as against 4.9 per cent during 1990-91 and 1.1 per cent during 1989-90. As a result, the share of Primary Sector in total GDP which was 33.6 per cent during 1989-90 declined marginally to 33.5 per cent during 1990-91 and to 32.8 per cent during 1991-92.

The share of the Secondary Sector in total GDP showed an increase from 27.3 per cent during 1989-90 to 27.8 per cent during 1990-91, followed by a decline to 27.3 per cent during 1991-92. In the Secondary Sector, the GDP emanating from (i) manufacturing (ii) construction and (iii) electricity, gas and water supply registered growth rates of (—)2.3 per cent, 4.7 per cent and 8.0 per cent, respectively, during 1991-92 as against 7.5 per cent, 4.9 per cent and 6.9 per cent during

Table II-1 : Trends In Gross National Product

Description	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6
1. **Gross Domestic Product (GDP) at Factor Cost (Rupees Crore)**					
At 1980-81 Prices	1,70,322	1,88,943	1,99,503	2,09,791	2,12,316
	(4.3)	(10.9)	(5.6)	(5.2)	(1.2)
At Current Prices	2,94,851	3,53,517	4,05,827	4,72,660	5,41,888
	(13.4)	(19.9)	(14.8)	(16.5)	(14.6)
2. **Gross National Product (GNP) at Factor Cost (Rupees Crore)**					
At 1980-81 Prices	1,68,121	1,85,708	1,96,132	2,06,375	2,09,306
	(4.1)	(10.5)	(5.6)	(5.2)	(1.4)
At Current Prices	2,92,232	3,49,021	4,00,076	4,65,827	5,35,055
	(13.2)	(19.4)	(14.6)	(16.4)	(14.9)
3. **Per Capita GNP (Rupees)**					
At 1980-81 Prices	2,134	2,307	2,386	2,460	2,445
	(1.9)	(8.1)	(3.4)	(3.1)	(—0.6)
At Current Prices	3,709	4,336	4,867	5,552	6,251
	(10.7)	(16.9)	(12.2)	(14.1)	(12.6)

Sources and Notes : (1) Estimates upto 1990-91 are provisional and for 1991-92 are Quick Estimates by the Central Statistical Organisation, Government of India.

(2) Figures in brackets are percentage changes over the previous year.

1990-91 and 7.1 per cent, 6.1 per cent and 9.9 per cent during 1989-90. The real GDP originating from the Secondary Sector showed a growth rate of (—)0.3 per cent during 1991-92 as against high growth rate of 7.0 per cent during 1990-91 and 7.2 per cent during 1989-90.

The Tertiary Sector with the largest share in GDP of 39.9 per cent during 1991-92 registered a marginally higher growth rate of 4.3 per cent in that year as against 4.2 per cent during 1990-91 but significantly lower than that of 7.8 per cent during 1989-90. In the Tertiary Sector, the sub-sector 'transport, storage, communication and trade' registered a growth rate of 3.5 per cent during 1991-92 as compared with that of 5.5 per cent during 1990-91 and 5.4 per cent during 1989-90. The growth rate of GDP emanating from 'community, social and personal services' during 1991-92 was lower at 2.3 per cent as against that of 3.3 per cent during 1990-91 and 8.8 per cent during 1989-90. The growth rate of GDP emanating from sub-sector 'finance, real estate and business services,' which decreased from 10.8 per cent during 1989-90 to 2.8 per cent during 1990-91 is now envisaged to have risen to 8.0 per cent during 1991-92. In this sub-sector, the component 'banking and insurance' registered a growth rate of 11.7 per cent during 1991-92 which was significantly higher than the rate of 2.1 per cent during 1990-91 but still lower than that of 19.1 per cent during 1989-90. The Net Domestic Product (at factor cost at 1980-81 prices) originating from agriculture showed a growth rate of (—)2.0 per cent during 1991-92 as compared with 5.0 per cent during 1990-91 and around 1.0 per cent during 1989-90. The share of Primary Sector which declined from 34.8 per cent during 1989-90 to 34.7 per cent during 1990-91 is slated to decline further to 33.9 per cent during 1991-92. The NDP emanating from Secondary Sector recorded a growth rate of (—)1.5 per cent during 1991-92 as against 7.0 per cent during 1990-91 and that of 7.1 per cent during 1989-90. The share of Secondary Sector in total NDP which had increased from 25.9 per cent during 1989-90 to 26.3 per cent during 1990-91 is now estimated to deteriorate to 25.8 per cent during 1991-92. In the Secondary Sector, the NDP originating from the sub-sector (i) manufacturing (ii) construction and (iii) electricity, gas and water supply registered growth rates of (—)3.5 per cent, 4.7 per cent and 9.6 per cent, respectively during 1991-92 as compared to 7.5 per cent, 4.6 per cent and 7.3 per cent, respectively achieved during 1990-91 and 7.1 per cent, 5.8 per cent and 13.1 per cent,

respectively attained during 1989-90. Despite the stagnation in the growth rate of Tertiary Sector at 4.1 per cent during 1990-91 as well as during 1991-92, the share of Tertiary Sector in total NDP improved from 38.9 per cent during 1990-91 to 40.2 per cent during 1991-92. The Tertiary Sector, which had registered a share of 39.3 per cent during 1989-90, showed a growth rate of 8.0 per cent during the same year.

Net National Product (NNP) (at factor cost at 1980-81 prices) increased by 0.9 per cent to Rs. 1,86,135 crore during 1991-92 as compared with the increase of 5.2 per cent to Rs. 1,84,460 crore during 1990-91 and the rise of 5.5 per cent to Rs. 1,75,400 crore during 1989-90. Accordingly, the per capita real income decreased by 1.1 per cent to Rs. 2,174 during 1991-92 as compared with the increase of 3.0 per cent to Rs. 2,199 during 1990-91 and the increase of 3.3 per cent to Rs. 2,134 during 1989-90. NNP (at factor cost at current prices) showed a rise of 14.3 per cent to Rs. 4,73,246 crore during 1991-92 as against the rise of 16.8 per cent to Rs. 4,13,943 crore during 1990-91 and the increase of 14.3 per cent to Rs. 3,54,526 crore during 1989-90. As a result, per capita income in nominal terms increased by 12.1 per cent to Rs. 5,529 during 1991-92 as compared with a rise of 14.4 per cent to Rs. 4,934 during 1990-91 and the increase of 12.0 per cent to Rs. 4,313 during 1989-90.

B. Trends in Domestic Savings

Gross Domestic Savings (GDS) are estimated to have risen by 18.9 per cent to Rs. 1,48,221 crore in 1991-92 from Rs. 1,24,673 crore in 1990-91 while the proportion of GDS to GDP is envisaged to rise to 24.3 per cent from 23.5 per cent during the same period. The saving rates of public sector and private corporate sector, respectively, are estimated to increase from 1.1 per cent and 2.6 per cent in 1990-91 to 1.7 per cent and 2.8 per cent in 1991-92. The saving rate of the household sector shows a marginal increase from 19.8 per cent in 1990-91 to 19.9 per cent in 1991-92 as the rise in saving rate in net financial assets (from 8.5 per cent to 9.6 per cent) more than offset a decline in the saving rate in physical assets (from 11.3 per cent to 10.3 per cent).

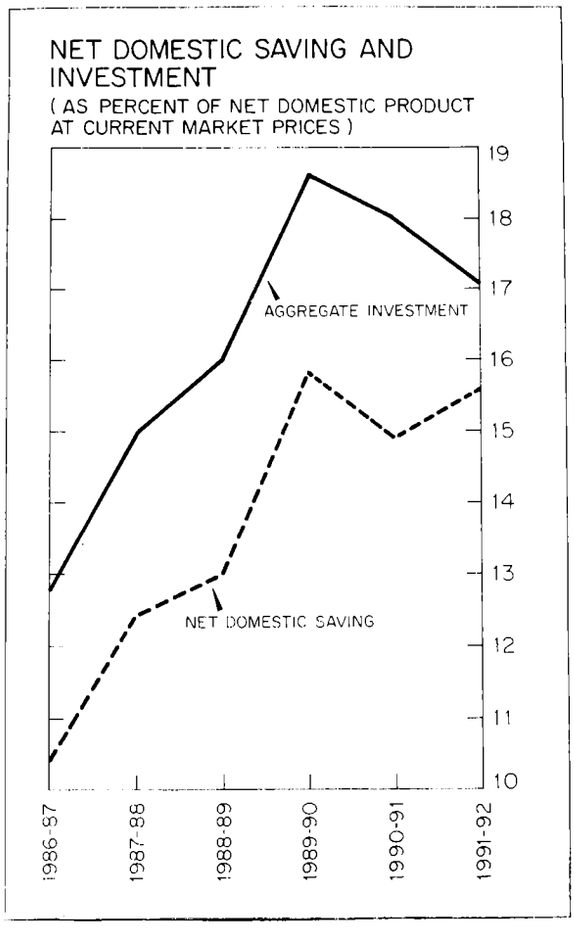
The overall rate of gross domestic savings showed a deceleration from 24.6 per cent in 1989-90 to 23.5 per cent in 1990-91. The decline in household saving rate from 20.3 per cent in 1989-90 to 19.8 per cent in 1990-91 was accompanied by the decline in the saving rates of both public and private corporate sector,

Table II-2 : Trends In Net National Product and Per Capita Income

Description	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6
1. **Net Domestic Product (NDP) at Factor cost (Rupees Crore)**					
At 1980-81 Prices	1,51,988	1,69,467	1,78,771	1,87,876	1,89,145
	(4.1)	(11.5)	(5.5)	(5.1)	(0.7)
At Current Prices	2,61,510	3,14,596	3,60,257	4,20,776	4,80,079
	(13.6)	(20.3)	(14.5)	(16.8)	(14.1)
2. **Net National Product (NNP) at Factor Cost (Rupees Crore)**					
At 1980-81 prices	1,49,787	1,66,232	1,75,400	1,84,460	1,86,135
	(3.8)	(11.0)	(5.5)	(5.2)	(0.9)
At Current Prices	2,58,891	3,10,100	3,54,526	4,13,943	4,73,246
	(13.3)	(19.8)	(14.3)	(16.8)	(14.3)
3. **Per Capita NNP (Rupees)**					
At 1980-81 Prices	1,901	2,065	2,134	2,199	2,174
	(1.6)	(8.6)	(3.3)	(3.0)	(—1.1)
At Current Prices	3,285	3,852	4,313	4,934	5,529
	(10.9)	(17.3)	(12.0)	(14.4)	(12.1)

Sources and Notes : (1) Estimates upto 1990-91 are provisional and for 1991-92 are Quick Estimates by the Central Statistical Organisation, Government of India.

(2) Figures in brackets are percentage changes over the previous year.



respectively, from 1.6 per cent and 2.7 per cent to 1.1 per cent and 2.6 per cent during the same period (Table II-3).

The share of the household sector in the total savings (gross) which increased from 82.6 per cent during 1989-90 to 84.3 per cent during 1990-91, is estimated to decline to 81.7 per cent in 1991-92. The share of savings by the public sector declined from 6.6 per cent during 1989-90 to 4.5 per cent during 1990-91 but improved thereafter to 6.9 per cent during 1991-92. The share of savings of the domestic private corporate sector was 10.8 per cent during 1989-90 and it increased to 11.2 per cent during 1990-91 and improved further to 11.4 per cent in 1991-92 (Table II-3). Aggregate Net Domestic Savings (NDS) which amounted to Rs. 64,722 crore during 1989-90 increased by Rs. 6,805 crore or 10.5 per cent to Rs. 71,527 crore during 1990-91 and further by Rs. 13,881 crore or 19.4 per cent to Rs. 85,408 crore during 1991-92. The rate of NDS decreased from 15.8 per cent during 1989-90 to 14.9 per cent during 1990-91 which is estimated to increase to 15.6 per cent in 1991-92 (Table II-5). The ratio of aggregate investment (net) to NDP is estimated to decline from 18.0 per cent in 1990-91 to 17.1 per cent in 1991-92 as the rise in the rate of net domestic savings by 0.7 percentage point to 15.6 per cent

Table II-3 : Estimates of Gross Domestic Savings : Sector-wise
(Provisional)

(Rs. crore)

Description	1989-90	1990-91	1991-92 (Estimated)
1	2	3	4
1. Public Sector	7,347	5,591	10,176
	(6.6)	(4.5)	(6.9)
Percentage of GDP at Current Market Prices	*1.6*	*1.1*	*1.7*
2. Domestic Private Corporate Sector	12,090	13,922	16,970
(including co-operatives)	(10.8)	(11.2)	(11.4)
Percentage of GDP at Current Market Prices	*2.7*	*2.6*	*2.8*
3. Household Sector	92,367	1,05,160	1,21,075
	(82.6)	(84.3)	(81.7)
Percentage of GDP at Current Market Prices	*20.3*	*19.8*	*19.9*
4. **Total Domestic Savings** (1+2+3)	1,11,804	1,24,673	1,48,221
	(100.0)	(100.0)	(100.0)
Percentage of GDP at Current Market Prices	*24.6*	*23.5*	*24.3*

Note : 1. Figures in brackets are percentages to total.

2. According to the arrangement arrived at between CSO and RBI, RBI will estimate savings in the form of financial assets of the household sector and savings of the private corporate sector; whereas CSO will provide public sector's savings estimate and those in the form of physical assets of the household sector. Accordingly, the financial assets and domestic private corporate sector data are estimated in the Bank and savings in the form of physical assets of the household sector and those of the public sector are as per the CSO's Quick estimates (1993).

in 1991-92 was more than offset by a decline in the rate of net inflow of foreign resources from 3.1 per cent in 1990-91 to 1.5 per cent in 1991-92 (Table II-4).

The share of savings (net) of public sector in aggregate NDS which deteriorated from (—) 20.9 per cent during 1989-90 to (—) 25.3 per cent during 1990-91, is estimated to be (—) 21.3 per cent during 1991-92. The share of domestic private corporate sector in total NDS improved from 5.1 per cent in 1989-90 to 5.5 per cent in 1990-91 and is envisaged to improve further to 6.0 per cent in 1991-92. The share of savings of the household sector in aggregate NDS increased from 115.8 per cent in 1989-90 to 119.8 per cent in 1990-91 but is slated to decline to 115.3 per cent in 1991-92; the share of savings of the household sector is more than 100 per cent because of dissaving by the public sector.

1. Savings of the Household Sector

The household sector comprises individuals, non-government, non-corporate enterprises and non-profit organisations and this sector holds its savings in the form of (a) financial assets and (b) physical assets. The savings in the form of financial assets are measured as an addition to financial assets net of financial liabilities.

The net savings of the household sector which were Rs. 85,704 crore during 1990-91 are estimated to increase by Rs. 12,802 crore or 14.9 per cent to Rs. 98,506 crore during 1991-92. As a proportion to NDP, it is envisaged to improve from 17.9 per cent during 1990-91 to 18.0 per cent during 1991-92 (Table II-5). The rise in the net saving rate of the household sector during 1991-92 is due to the rise in the saving rate of financial assets from 9.4 per cent during 1990-91 to 10.7 per cent during 1991-92, despite a decline in the saving rate in physical assets from 8.5 per cent to 7.3 per cent during the same period.

(a) *Savings in Financial Assets*

The savings of the household sector in financial assets (net of financial liabilities) which increased

Table II-4 : Estimates of Net Domestic Savings and Investment as Percentage of Net Domestic Product at Current Market prices (Provisional)

Description	1989-90	1990-91	1991-92 (Estimated)
1	2	3	4
1. Domestic Savings (Net)	15.8	14.9	15.6
2. Net Inflow of Foreign Resources	2.8	3.1	1.5
3. Aggregate Investment (Net) (1+2)	18.6	18.0	17.1

Table II-5 : Estimates of Net Domestic Savings : Sector-wise (Provisional)

(Rs. crore)

Description	1989-90	1990-91	1991-92 (Estimated)
1	2	3	4
1. Public Sector	—13,499	—18,125	—18,189
	(—20.9)	(—25.3)	(—21.3)
Percentage of NDP at Current Market Prices	*—3.3*	*—3.8*	*—3.3*
2. Domestic Private Corporate Sector	3,286	3,948	5,091
	(5.1)	(5.5)	(6.0)
Percentage of NDP at Current Market Prices	*0.8*	*0.8*	*0.9*
3. Household Sector	74,935	85,704	98,506
	(115.8)	(119.8)	(115.3)
Percentage of NDP at Current Market Prices	*18.3*	*17.9*	*18.0*
4. **Net Domestic Savings** (1+2+3)	64,722	71,527	85,408
	(100.0)	(100.0)	(100.0)
Percentage of NDP at Current Market Prices	*15.8*	*14.9*	*15.6*

Note : Figures in brackets are percentages to total.

by Rs. 3,160 crore from Rs. 41,943 crore during 1989-90 to Rs. 45,103 crore during 1990-91, are estimated to show an increase of a much higher magnitude of Rs. 13,305 crore to Rs. 58,408 crore during 1991-92. The share of net financial assets in total net savings of the household sector which declined from 56.0 per cent during 1989-90 to 52.6 per cent during 1990-91, is estimated to increase to 59.3 per cent during 1991-92. Similarly, as a proportion of NDP at current market prices, the household sector savings in net financial assets which deteriorated from 10.3 per cent during 1989-90 to 9.4 per cent during 1990-91, is estimated to increase to 10.7 per cent during 1991-92.

The savings in the form of gross financial assets of the household sector rose by Rs. 3,515 crore from Rs. 54,783 crore during 1989-90 to Rs. 58,298 crore during 1990-91 whereas these are estimated to increase by a much larger amount of Rs. 14,429 crore to Rs. 72,727 crore during 1991-92. The ratio of these assets to NDP which declined from 13.4 per cent during 1989-90 to 12.2 per cent during 1990-91, is estimated to rise to 13.3 per cent during 1991-92 (Table II-6).

(1) *Currency*

The savings of the household sector in the form of currency which decreased by Rs. 1,404 crore to Rs. 6,251 crore during 1990-91, are estimated to rise to Rs. 7,298 crore during 1991-92.

However, the currency — NDP ratio declined from 1.9 per cent to a value of 1.3 per cent for both 1990-91 and 1991-92.

The share of currency in total financial assets (gross) which declined from 14.0 per cent during 1989-90 to 10.7 per cent during 1990-91, is estimated to decline marginally to 10.0 per cent during 1991-92.

Table II-6 : Composition of Financial Savings of the Household Sector (Gross) (Provisional)

(Rs. crore)

	Description	1989-90	1990-91	1991-92 (Estimated)
	1	2	3	4
	Total Financial Assets (1 to 7)	**54,783**	**58,298**	**72,727**
	a)	13.4	12.2	13.3
	b)	*100.0*	*100.0*	*100.0*
1.	Currency	7,655	6,251	7,298
	a)	*1.9*	*1.3*	*1.3*
	b)	*14.0*	*10.7*	*10.0*
2.	Deposits	21,160	19,269	28,245
	a)	*5.2*	*4.1*	*5.2*
	b)	*38.6*	*33.0*	*38.8*
3.	Insurance	4,415	5,599	6,924
	a)	*1.1*	*1.2*	*1.3*
	b)	*8.1*	*9.6*	*9.5*
4.	Provident and Pension Funds	9,506	11,157	12,258
	a)	*2.3*	*2.3*	*2.2*
	b)	*17.4*	*19.1*	*16.9*
5.	Claims on Government	6,720	7,949	5,405
	a)	*1.6*	*1.7*	*1.0*
	b)	*12.3*	*13.6*	*7.4*
6.	Investment in Shares and Debentures including units of UTI	4,970	7,417	12,252
	a)	*1.2*	*1.5*	*2.2*
	b)	*9.1*	*12.7*	*16.8*
7.	Trade Debt (Net)	357	656	345
	a)	*0.1*	*0.1*	*0.1*
	b)	*0.7*	*1.1*	*0.5*

Notes: (a) Percentages to Net Domestic Product at current market prices.
(b) Percentages to Financial Assets.

(ii) *Deposits*

The savings of the household sector in the form of deposits with commercial banks, co-operative banks, credit/non-credit societies and non-banking companies which declined by Rs. 1,891 crore or 8.9 per cent from Rs. 21,160 crore during 1989-90 to Rs. 19,269 crore during 1990-91, is now estimated to rise by Rs. 8,976 crore or 46.6 per cent to Rs. 28,245 crore during 1991-92. Thus, savings in the form of deposits as a proportion of NDP which decreased from 5.2 per cent during 1989-90 to 4.1 per cent during 1990-91, are now estimated to rise to 5.2 per cent during 1991-92. The share of savings in the form of deposits as a proportion of savings in gross financial assets, which deteriorated from 38.6 per cent during 1989-90 to 33.0 per cent during 1990-91, is now envisaged to rise to 38.8 per cent during 1991-92.

The household sector's deposits with commercial banks, which decreased by Rs. 776.4 crore or 4.7 per cent to Rs. 15,570 crore during 1990-91, are estimated to increase by Rs. 8,724 crore or 56.0 per cent during 1991-92. This behaviour of household sector's savings in commercial banks' deposits was responsible for the decline in the rate of savings in the form of deposits in relation to gross financial assets during 1990-91 followed by its estimated rise during 1991-92. The households' deposits with the co-operative sector which rose by Rs. 125 crore or 5.5 per cent to Rs. 2,399 crore during 1990-91 are estimated to rise further by Rs. 101 crore or 4.2 per cent to Rs. 2,500 crore during 1991-92. The deposits of household sector with non-banking companies, which declined from Rs. 2,539 crore to Rs. 1,300 crore during 1990-91, are estimated to increase to Rs. 1,451 crore during 1991-92. The increase in savings of household sector in the form of bank deposits during 1991-92 was reinforced by the rise in its savings in the form of currency. Consequently, the combined share of currency and bank deposits in gross financial assets is envisaged to rise from 41.5 per cent during 1990-91 to 46.9 per cent during 1991-92.

(iii) *Social Security Funds*

Household sector savings in the form of social security funds which include savings in insurance and provident and pension funds constitute the second major category of financial savings next only to deposits. The savings in these funds which increased by Rs. 2,835 crore or 20.4 per cent to Rs. 16,756 crore during 1990-91, is estimated to rise further by Rs. 2,426 crore or 14.5 per cent to Rs. 19,182 crore during 1991-92. However, as a proportion of gross financial assets, their share which increased from 25.4 per cent during 1989-90 to 28.7 per cent during 1990-91, is now estimated to decline to 26.4 per cent during 1991-92. As a proportion of NDP, the household sector savings in social security funds which increased from 3.4 per cent during 1989-90 to 3.5 per cent during 1990-91, is now to remain at 3.5 per cent during 1991-92.

Household sector savings in the form of insurance comprising Life Fund of Life Insurance Corporation of India (LIC), Postal Insurance and Annuity Fund, State Insurance Fund and Central Government Group Insurance Fund, rose from Rs. 4,415 crore during 1989-90 to Rs. 5,599 crore during 1990-91, and are estimated to rise further to Rs. 6,924 crore during 1991-92. The share of insurance in gross financial assets which increased from 8.1 per cent during 1989-90 to 9.6 per cent during 1990-91, is now estimated to decline marginally to 9.5 per cent during 1991-92. As a proportion of NDP, the household sector savings in insurance which rose from 1.1 per cent during 1989-90 to 1.2 per cent during 1990-91, is now estimated to increase further to 1.3 per cent during 1991-92. Savings in the form of provident and pension funds increased by 17.4 per cent from Rs. 9,506 crore during 1989-90 to Rs. 11,157 crore during 1990-91 and is estimated to rise by only 9.9 per cent to Rs. 12,258 crore during 1991-92. The share of such savings in gross financial assets which increased from 17.4 per cent during 1989-90 to 19.1 per cent during 1990-91 is now expected to decline to 16.9 per cent during 1991-92. However, as a proportion of NDP the household sector savings in provident and pension funds is estimated to deteriorate marginally from 2.3 per cent both during 1989-90 and 1990-91 to 2.2 per cent during 1991-92.

(iv) *Claims on Government*

Savings of the household sector in the form of claims on government comprise investments in

small savings instruments, Government Securities, National Rural Development Bonds, National Deposits Scheme, Capital Investment Bonds, Deposit Scheme for Retired Government Employees, Relief Bonds, Compulsory Deposits and Special Bearer Bonds. The household sector savings in the form of claims on government which increased by Rs. 1,229 crore or 18.3 per cent from Rs. 6,720 crore during 1989-90 to Rs. 7,949 crore during 1990-91 is estimated to decline now by Rs. 2,544 crore or 32.0 per cent to Rs. 5,405 crore during 1991-92.

The household sector's investment in small savings instruments increased from Rs. 6,689 crore during 1989-90 to Rs. 7,811 crore during 1990-91, but is estimated to be lower at Rs. 5,520 crore during 1991-92. Households' investment in government securities which increased from Rs. 62 crore during 1989-90 to Rs. 66 crore during 1990-91, is now estimated to be Rs. 70 crore during 1991-92. The repayments of compulsory deposits which amounted to Rs. 142 crore during 1989-90 declined to Rs. 135 crore during 1990-91 and are estimated to decline further to Rs. 103 crore during 1991-92. Similarly, the repayments of National Rural Develoment Bonds decreased from Rs. 56 crore during 1989-90 to Rs. 19 crore during 1990-91 and are estimated to fall further to Rs. 3 crore during 1991-92. The repayments under the National Deposit Scheme, which at Rs. 9 crore were virtually the same in both the years 1989-90 and 1990-91, are estimated to reduce to Rs. 6 crore during 1991-92. The instrument of Relief Bonds mobilised an amount of Rs. 328 crore during 1991-92 as compared with Rs. 208 crore during 1990-91. The Deposit Scheme for Retiring Government Employees fetched an amount of Rs. 70 crore during 1991-92 as compared with Rs. 39 crore during 1990-91. The repayments of the Special Bearer Bonds are estimated to increase to Rs. 471 crore in 1991-92 from Rs. 12 crore in 1990-91.

Of all the instruments of household sector's savings in the category of claims on government, the savings through small savings instruments constitute an overwhelmingly large proportion. The other instruments in the category of claims on government either made a very small contribution or there has been an outgo on account of repayment obligations. The proportionate share of claims on government in gross financial assets which improved from 12.3 per cent during 1989-90 to 13.6 per cent during 1990-91 is estimated to decline to 7.4 per cent during 1991-92. As a percentage of NDP also, the household sector savings in the form of claims on government which was 1.6 per cent for the years 1989-90 and 1.7 per cent for 1990-91, is estimated to fall to 1.0 per cent during 1991-92.

(v) *Investment in Shares, Debentures and Units*

The investment in shares and debentures of the corporate and co-operative sectors, bonds of public sector enterprises and the units of Unit Trust of India (UTI) and other mutual funds by the household sector was Rs. 4,970 crore during 1989-90 and it increased by Rs. 2,447 crore or 49.2 per cent to Rs. 7,417 crore during 1990-91 and is estimated to grow significantly by Rs. 4,835 crore or 65.2 per cent to Rs. 12,252 crore during 1991-92. Consequently, the ratio of savings to NDP in the form of these instruments showed an unabated rise from 1.2 per cent in 1989-90 to 1.5 per cent during 1990-91 and further to 2.2 per cent during 1991-92. The share of these instruments in gross financial savings which was 9.1 per cent during 1989-90 grew to 12.7 per cent during 1990-91 and is estimated to have grown further to 16.8 per cent during 1991-92.

The direct investment of the household sector in private corporate business (including co-operative non-credit societies) which showed an increase from Rs. 1,414 crore during 1989-90 to Rs. 1,473 crore during 1990-91, is estimated to decline by Rs. 71 crore to Rs. 1,402 crore during 1991-92. The households' investment in the units of UTI increased from Rs. 2,147 crore in 1989-90 to Rs. 3,300 crore in 1990-91 and is estimated to grow further to Rs. 8,000 crore during 1991-92. The investment of the household sector in mutual funds (other than UTI) which increased from Rs. 785 crore during 1989-90 to Rs. 1,953 crore during 1990-91 is estimated at Rs. 2,130 crore during 1991-92. The investment of the household

sector in Public Sector Bonds grew from Rs. 339 crore during 1989-90 to Rs. 497 crore during 1990-91 and is estimated to rise further to Rs. 520 crore in 1991-92.

(vi) *Trade Debt (Net)*

The trade debt (net) represents the credit extended by the household sector to the private corporate sector. The household savings in the form of net trade debt rose from Rs. 357 crore during 1989-90 to Rs. 656 crore during 1990-91 but is estimated to decline to Rs. 345 crore during 1991-92. In relation to gross financial assets, trade debt constituted 0.7 per cent during 1989-90, 1.1 per cent during 1990-91 and is estimated to be 0.5 per cent during 1991-92. The ratio of trade debt (net) to NDP was consistently negligible during these years.

(b) *Savings in Physical Assets*

The savings of the household sector in physical assets comprises additions to construction, machinery and equipment and inventories. Savings (net) in these assets was Rs. 32,992 crore during 1989-90 which was 8.1 per cent of NDP at current market prices. The Quick Estimates of January 1993 show an absolute decline of Rs. 503 crore or 1.2 per cent in the savings of the household sector in physical assets from Rs. 40,601 crore during 1990-91 to Rs. 40,098 crore during 1991-92. The rate of such savings relative to NDP at current market prices is estimated to decline from 8.5 per cent to 7.3 per cent during the same period (Table II-7).

(c) *Financial Liabilities*

The household sector's financial liabilities consist of borrowings from banks (commercial and co-operative), co-operative credit/non-credit societies, LIC, term-lending institutions, Central and State Governments and others. These liabilities which showed an increase of Rs. 355 crore from Rs. 12,840 crore in 1989-90 to Rs. 13,195 crore in 1990-91 are estimated to rise to Rs. 14,319 crore during 1991-92.

The ratio of households' financial liabilities to NDP was 3.1 per cent in 1989-90. This ratio showed a downward trend as it dipped to 2.8 per cent in 1990-91 and went down further to 2.6 per cent in 1991-92 (Quick Estimates, January 1993), as shown in Table II-7. Borrowings from banks which constitute a major part of these liabilities declined by Rs. 1,085 crore or 10.0 per cent from Rs. 10,807 crore during 1989-90 to Rs. 9,722 crore during 1990-91 and is estimated to decline again by Rs. 550 crore or 5.7 per cent to Rs. 9,172 crore during 1991-92.

2. Savings of the Public Sector

The C.S.O.'s estimates indicate that the dissavings of the public sector increased from Rs. 13,499 crore during 1989-90 to Rs. 18,125 crore during 1990-91. The rate of public sector savings deteriorated further from (—)3.3 per cent of NDP during 1989-90 to (—)3.8 per cent during 1990-91. The dissavings of the administrative departments including departmental enterprises showed no let-up increasing as they did by 17.9

Table II-7 : Savings of the Household Sector
(Provisional)

(Rs. crore)

	Description	1989-90	1990-91	1991-92 (Estimated)
	1	2	3	4
1.	Financial Assets (Gross)	54,783	58,298	72,727
	Percentage of NDP at Current Market Prices	*13.4*	*12.2*	*13.3*
2.	Physical Assets (Net)	32,992	40,601	40,098
	Percentage of NDP at Current Market Prices	*8.1*	*8.5*	*7.3*
3.	Financial Liabilities	12,840	13,195	14,319
	Percentage of NDP at Current Market Prices	*3.1*	*2.8*	*2.6*
4.	**Total Net Savings** (Net of Financial Liabilities) (1+2-3)	74,935	85,704	98,506
	Percentage of NDP at Current Market Prices	*18.3*	*17.9*	*18.0*

per cent from Rs. 17,402 crore during 1989-90 to Rs. 20,511 crore during 1990-91. According to the Quick Estimates, the public sector dissavings increased to Rs. 18,189 crore during 1991-92 or (—)3.3 per cent of NDP. The dissavings of the administrative departments including departmental enterprises are estimated to improve to Rs. 18,552 crore during 1991-92 from the level of Rs. 20,511 crore during 1990-91 while the savings of the non-departmental undertakings are estimated to decline sharply to Rs. 363 crore from Rs. 2,386 crore for the corresponding years (Table II-8). The dissavings of the public sector as a proportion of aggregate net domestic savings was (—)20.9 per cent during 1989-90, (—)25.3 per cent during 1990-91 and is stated to be (—)21.3 per cent during 1991-92 (Table II-5).

3. Savings of the Domestic Private Corporate Sector

The net savings of the domestic private corporate sector (inclusive of co-operatives) increased from Rs. 3,286 crore during 1989-90 to Rs. 3,948 crore during 1990-91 and is estimated to go up to Rs. 5,091 crore during 1991-92. The proportion of the domestic private corporate sector savings to NDP remained stable at 0.8 per cent for the two years 1989-90 and 1990-91 and the estimate for 1991-92 is expected to show some marginal improvement to 0.9 per cent. The share of the domestic private corporate sector savings in aggregate net domestic savings was 5.1 per cent during 1989-90 which increased to 5.5 per cent during 1990-91 and as estimated for 1991-92, has gone up to 6.0 per cent (Table II-5).

C. Trends in Domestic Investment

Aggregate Net Domestic Investment (NDI) comprises net domestic savings and net inflow of foreign resources during a year. The aggregate NDI, at current prices, showed an increase of Rs. 7,239 crore or 8.4 per cent to Rs. 86,211 crore during 1990-91 and is estimated to grow to reach the amount of Rs. 93,450 crore during 1991-92. As a proportion of NDP, net domestic investment was at 18.6 per cent in 1989-90 which declined to 18.0 per cent in 1990-91, and is now estimated to have declined further to 17.1 per cent during 1991-92 (Table II-4). At constant prices (Base : 1980-81) the investment-NDP ratio which rose from 15.9 per cent in 1989-90 to 16.5 per cent in 1990-91, went down to 13.7 per cent in 1991-92 (Table II-9).

Table II-8 : Savings of the Public Sector (Group-wise)

(Rs. crore at current prices)

Item	Financial Year		
	1989-90	1990-91	1991-92
1	2	3	4
1. Administrative Departments including Departmental Enterprises	—17,402	—20,511	—18,552
2. Non-Departmental Financial and Non-Financial Undertakings	3,903	2,386	363
TOTAL (1+2)	**—13,499**	**—18,125**	**—18,189**
Percent of Net Domestic Product at Current Market Prices	—3.3	—3.8	—3.3

Table II-9 : Net Investment as Percentage of NDP (at 1980-81 Prices)

(Rs. crore)

Financial Year	Net Investment at Current Prices	At 1980-81 Prices		
		Net Investment	Net Domestic Product (NDP) at Market Prices	Ratio of (3) to (4) (Per cent)
1	2	3	4	5
1989-90	76,163	32,589	2,04,685	15.9
1990-91	86,211	35,574	2,16,229	16.5
1991-92	93,450	29,836	2,18,090	13.7

The share of public sector investment at current prices, in aggregate NDI (unadjusted) declined from 37.8 per cent during 1989-90 to 36.1 per cent during 1990-91 declining even further to 35.0 per cent in 1991-92, according to CSO's Quick Estimates. As a percentage of NDP, it declined from 6.8 per cent during 1989-90 to 6.7 per cent during 1990-91 and decreased further to 5.4 per cent during 1991-92.

The net direct fixed assets formation of the Central Government increased by Rs. 753 crore or 12.1 per cent to Rs. 6,966 crore during 1991-92 as compared with the increase of Rs. 286 crore or a mere 4.8 per cent achieved during 1990-91 over the 1989-90 figure. The decline in the investment in inventories by Rs. 138 crore during 1990-91 turned into an increase of the order of Rs. 178 crore during 1991-92.

Gross fixed assets capital formation in the Central Government's non-departmental industrial and commercial undertakings saw a small increase of Rs. 269 crore to Rs. 15,881 crore during 1990-91, but the change in inventories recorded an increase of Rs. 1,008 crore to reach Rs. 4,668 crore during 1990-91. Thus, the share of the change in inventories has gone up in gross capital formation of this category from 19.0 per cent in 1989-90 to 22.7 per cent in 1990-91. Instead of the estimates of capital formation of the State Governments, Union Territories, local authorities and their non-departmental commercial undertakings, the figures are available only for the total financial assistance for capital formation extended to all these bodies by the Central Government. Such financial assistance showed a small increase of Rs. 620 crore or 2.3 per cent to Rs. 27,664 crore during 1991-92 as compared with an increase of Rs. 2,168 crore or 8.7 per cent during 1990-91, notching up Rs. 27,044 crore. The financial assistance provided to the State and Union Territories increased by Rs. 1,725 crore or 9.3 per cent to Rs. 20,365 crore, but that of non-departmental commercial undertakings declined again by Rs. 1,308 crore or 20.2 per cent to Rs. 5,155 crore during 1991-92 (Table II-10).

Table II-10 : Capital Formation through Central Government Budget (At Current Prices)

(Rs. crore)

Description	1989-90 +	1990-91 *	1991-92 **
1	2	3	4
I. Central Government Administration and Departmental Commercial Undertakings			
1. Gross Direct Fixed Asset Formation	7,800	8,485	9,374
1.1 Net Direct Fixed Asset Formation	5,927	6,213	6,966
1.2 Expenditure on renewals and replacements	1,873	2,272	2,408
2. Change in Inventories	336	198	376
II. Central Government's Non-Departmental Industrial and Commercial Undertakings			
1. Gross Capital Formation	19,272	20,549	N.A.
	(100.0)	(100.0)	
1.1 Gross Fixed Assets	15,612	15,881	N.A.
	(81.0)	(77.3)	
1.2 Change in Inventories	3,660	4,668	N.A.
	(19.0)	(22.7)	
III. Financial Assistance for Capital Formation	24,876	27,044	27,664
1. To States, Union Territories	13,935	18,640	20,365
2. Non-Departmental Commercial Undertakings	7,054	6,463	5,155
2.1 Financial Concerns	1,199	1,362	1,190
2.2 Others	5,855	5,101	3,965
3. Other Institutions	3,887	1,941	2,144

Source : 1. An Economic and Functional Classification of the Central Government Budget, 1991-92.
2. Annual Report on Working of Industrial and Commercial Undertakings of the Central Government, 1990-91.

Notes : 1) Figures in item I & II cannot be added and compared with item III as these are drawn from different sources.
2) + Accounts
3) * Revised
4) ** Budget Estimates
5) N.A.= Not Available.

Table II-11 : Capital Formation in Central Government Administration and Departmental Commercial Undertakings — Asset-wise (at Current Prices)

(Rs. crore)

Description	1989-90+	1990-91*	1991-92**
1	2	3	4
I. Gross Fixed Capital Formation	7,800	8,485	9,374
	(95.9)	(97.7)	(96.1)
1. Buildings and other construction	5,125	5,770	6,205
Proportion to I above	65.7	68.0	66.2
(a) New Outlay	3,913	4,400	4,630
(b) Renewals and replacements	1,212	1,370	1,575
2. Machinery and Equipments	2,675	2,715	3,168
Proportion to I above	34.3	32.0	33.8
(a) New Outlay	2,014	1,813	2,336
(b) Renewals and replacements	661	902	832
II. Increase in Inventories	336	198	376
	(4.1)	(2.3)	(3.9)
III. Gross Capital Formation (I+II)	8,136	8,683	9,750
IV. Gross Capital Formation as proportion to GDP at market prices	1.8	1.6	1.6

Source : An Economic and Functional Classification of the Central Government Budget, 1991-92.

Notes : 1) Figures in brackets are percentages to Gross Capital Formation.
2) + Accounts
3) * Revised
4) ** Budget Estimates.

The asset-wise comparison of capital formation of the Central Government reveals that the proportion of buildings and other construction in the total gross fixed capital formation came down from 68.0 per cent during 1990-91 to 66.2 per cent during 1991-92, in contrast to the share of machinery and equipment which improved from 32.0 per cent to 33.8 per cent over the same period (Table II-11). The total gross capital formation of the Central Government showed a rise of Rs. 1,067 crore or 12.3 per cent to Rs. 9,750 crore during 1991-92. However, as a proportion to GDP at market prices the capital formation in Central Government remained stagnant at 1.6 per cent during 1990-91 and 1991-92.

CHAPTER III

Agricultural Production and Programmes

After three consecutive years of good harvest, agricultural production received a setback during 1991-92. Production registered a negative growth of about two per cent in contrast to increases of 21.0 per cent, 2.1 per cent and 2.6 per cent witnessed during the preceding three years. The deceleration in 1991-92 is attributed primarily to a fall in *Kharif* production due to the delay in the onset of South-West monsoon and subsequent erratic behaviour of the rains. The commercial crops, however, remained unaffected. The output of cereals excepting wheat not only fell short of the respective targets for the year but was also lower than the levels in the previous year. In the case of wheat, however, while the production was lower than the target,it was slightly higher than the level recorded in the previous year.

Though the 1991 South-West monsoon (June-September) turned out to be normal,it was unevenly distributed across space and time. Eighty per cent of the meteorological sub-divisions (i.e. 28 out of 35) received normal to excess rainfall. The total rainfall during the 1991 South-West monsoon season was 92 per cent of the normal. But the season was characterised by long dry spells particularly in the northern and central parts of the country, affecting adversely both paddy and groundnut crops.

Total foodgrains production during 1991-92 estimated at 167.1 million tonnes ,not only fell short of the record production of 176.4 million tonnes in 1990-91 but also the target of 182.5 million tonnes for 1991-92. *Kharif* foodgrains output at 91.4 million tonnes has been lower as against 99.4 million tonnes in 1990-91. The decline is mainly attributed to fall in *Kharif* coarse cereals and rice because of erratic monsoon in the main producing areas. *Rabi* production in 1991-92 at 75.7 million tonnes, is lower than the 1990-91 level of 77.0 million tonnes. Wheat production during 1991-92 at 55.1 million tonnes was almost at the last year's level though below the target fixed for the year. During 1991-92, coarse cereals reported considerable decline over their previous year's output, as also their targets for 1991-92 mainly on account of water stress in the main growing tracts. Similarly, pulses were also affected adversely though production declined only marginally.

During 1991-92, production of jute and mesta and sugarcane showed improvements. Sugarcane production recorded a new peak at 249.3 million tonnes, higher than that of 241.1 million tonnes a year ago. Production of jute and mesta is placed at 10.2 million bales compared with 9.2 million bales in 1990-91. Cotton output at 9.8 million bales was at the previous year's level. The production of oilseeds in 1991-92 at 18.3 million tonnes was marginally lower by 0.3 million tonnes over the previous year's output.

Production of tea and coffee registered significant improvements over the 1990-91 production levels. During 1991-92, production of tea is estimated at a record level of 741.7 million kgs. surpassing the previous year's production level of 714.7 million kgs. Coffee production estimated at 210 million kgs. during 1991-92 was 40 million kgs. higher than the output of 170 million kgs. in 1990-91 (Table III-1).

Production and distribution of foodgrains

Production of foodgrains

The foodgrains production in 1991-92 is estimated at 167.1 million tonnes. At this level, the output is lower as compared to the record production of 176.4 million tonnes in 1990-91 and much lower than the target of 182.5 million tonnes. *Kharif* foodgrains production is estimated at 91.4 million tonnes as against 99.4 million tonnes in 1990-91. While the shortfall in *Kharif* output in 1991-92 was higher in the case of coarse cereals, the production of rice and pulses also declined compared to the previous year. During 1991 South-West monsoon,there were two long dry spells in June-July and September

Table III-1 : Production of Major Agricultural Commodities

Crop	Unit	1970-71	1980-81	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92 Final
1	2	3	4	5	6	7	8	9	10	11
Total foodgrains	**Million**	**108.4**	**129.6**	**150.4**	**143.4**	**140.4**	**169.9**	**171.0**	**176.4**	**167.1**
Kharif foodgrains	**tonnes**	**68.9**	**77.7**	**85.2**	**80.2**	**74.6**	**95.6**	**101.0**	**99.4**	**91.4**
Rabi foodgrains	„	39.5	51.9	65.2	63.2	65.8	74.3	70.0	77.0	75.7
Rice	„	42.2	53.6	63.8	60.6	56.8	70.5	73.6	74.3	73.7
Wheat	„	23.8	36.3	47.0	44.3	46.2	54.1	49.8	55.1	55.1
Coarsegrains	„	30.6	29.1	26.2	26.8	26.4	31.5	34.8	32.7	26.3
Pulses	„	11.8	10.6	13.4	11.7	11.0	13.8	12.8	14.3	12.0
Oilseeds	„	9.6	9.4	10.8	11.3	12.7	18.0	16.9	18.6	18.3
Sugarcane	„	126.4	154.2	170.7	186.1	196.7	203.0	225.6	241.1	249.3
Cotton *	Million bales	4.8	7.0	8.7	6.9	6.4	8.7	11.4	9.8	9.8
Jute & Mesta @	„	6.2	8.2	12.7	8.6	6.8	7.9	8.3	9.2	10.2
Tea	Million Kgs	419.0	569.6	656.2	624.6	674.3	701.1	684.1	714.7	741.7
Coffee	„	109.8	118.6	122.4	192.2	123.0	214.7	120.0	170.0	210.0

*170 kgs each
@180 kgs each

Source : Ministry of Agriculture, Government of India.

Table III-2 : Targets And Actual Production of Foodgrains

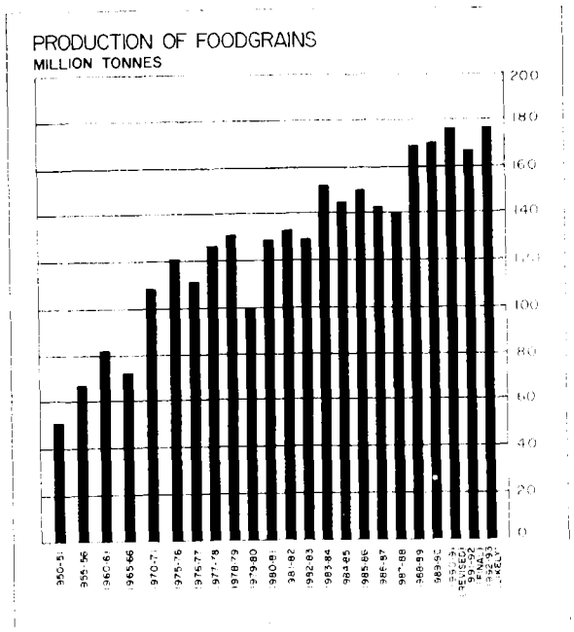
(Million tonnes)

	Rice	Wheat	Coarsegrains	Pulses	Total Foodgrains
1	2	3	4	5	6
1986-87					
Target	**65.0**	**49.0**	**32.0**	**14.0**	**160.0**
Actual	**60.6**	**44.3**	**26.8**	**11.7**	**143.4**
1987-88					
Target	**64.0**	**50.0**	**32.0**	**14.0**	**160.0**
Actual	**56.8**	**46.2**	**26.4**	**11.0**	**140.4**
1988-89					
Target	**68.0**	**52.3**	**33.0**	**13.3**	**166.6**
Actual	**70.5**	**54.1**	**31.5**	**13.8**	**169.9**
1989-90					
Target	**72.5**	**54.0**	**33.8**	**14.7**	**175.0**
Actual	**73.6**	**49.8**	**34.8**	**12.8**	**171.0**
1990-91					
Target	**73.7**	**54.5**	**33.3**	**15.0**	**176.5**
Actual	**74.3**	**55.1**	**32.7**	**14.3**	**176.4**
1991-92					
Target	**76.5**	**56.5**	**34.0**	**15.5**	**182.5**
Final	**73.7**	**55.1**	**26.3**	**12.0**	**167.1**
1992-93					
Target	77.3	57.0	34.2	14.5	183.0

Source : Ministry of Agriculture, Government of India.

- November which adversely affected sowing and maturing of *Kharif* crops. The impact of the first dry spell was adverse effect on sowings of *Kharif* crops, particularly coverage of area under paddy in the States of Bihar and Uttar Pradesh and coarse cereals in the States of Madhya Pradesh, Gujarat, Himachal Pradesh, Haryana and Rajasthan besides the States of Bihar and Uttar Pradesh. The second dry spell resulted in withering of crops and shrivelling of grains which adversly affected the yield. As a result, *Kharif* production declined in 1991-92 crop year. Crop-wise, production of rice under *Kharif* at 64.8 million tonnes was lower by 1.5 million tonnes or 2.3 per cent as compared with the output of *Kharif* rice at 66.3 million tonnes in 1990-91. Coarsegrains production at 22.2 million tonnes during *Kharif* 1991 was much lower by 5.5 million tonnes or 19.9 per cent compared to the *Kharif* coarsegrains production of 27.7 million tonnes in the preceding season. *Kharif* production of pulses at 4.4 million tonnes during 1991-92 was also lower as compared with the production of 5.4 million tonnes in 1990 *Kharif* season.

Production of foodgrains during *Rabi* 1991-92 has been estimated at 75.7 million tonnes. During the 1990-91 *Rabi* season the output was 77.0 million tonnes. While the output of *Rabi* rice showed slight improvement over the *Rabi* production of rice in 1990-91,the production of *Rabi* coarse cereals and pulses, however, was lower compared to the *Rabi* production of the respective crops in 1990-91.



In order to make good the shortfall in *Kharif* production, State Governments had made efforts for increasing *Rabi* rice production by adoption of improved production technology and efficient use of inputs like location-specific high yielding varieties, fertilizers, micro-nutrients, pesticides, etc. Similarly, all possible efforts were made to increase output of wheat in 1991-92. The States were given assistance under the Special Thrust Programme with a view to increasing coverage of area and productivity of wheat. Also rains during the winter season as well as irrigation support had contributed to a better outturn in wheat.

Availability of foodgrains

During the calendar year 1991, net availability of foodgrains increased to 158.3 million tonnes from 144.7 million tonnes in 1990. This reflects the record level of foodgrains production of 176.4 million tonnes achieved in 1990-91 resulting in increased net availability of foodgrains. The population in 1991 has been roughly estimated at 849.6 million as against 832.6 million in 1990. The per capita net availability per day of foodgrains in 1991 also increased to 509.9 grams from 473.8 grams in 1990 despite rise in population in 1991. The increase in per capita net availability of foodgrains in 1991 is attributable to lower Government stocks of foodgrains and record level of foodgrains production during the year. The per capita net availability of cereals also increased from 432.7 grams per day in 1990 to 470.2 grams in 1991. However, the per capita net availability of pulses per day came down from 41.1 grams in 1990 to 39.7 grams in 1991 (Table III-3).

Public Distribution System (PDS)

Public Distribution System (PDS), functioning through a wide network of fair price shops/ration shops, aims primarily at supplying foodgrains and certain other essential commodities to consumers, particularly to the vulnerable sections of the population, at reasonable prices. The system has become a permanent feature of the strategy for checking increases in prices, reducing price fluctuations and achieving equitable distribution of essential items viz., foodgrains, sugar, imported edible oils, kero-

Table III-3 : Availability of Foodgrains

(Million tonnes)

Year (January to December)	Gross output	Net output	Net imports	Change in Government stocks	Net availability	Per capita net availability per day (in gms.)		
						Cereals	Pulses	All Foodgrains
1	2	3	4	5	6	7	8	9
1983	129.5	113.3	4.1	+2.7	114.7	397.9	39.6	437.5
1984	152.4	133.3	2.4	+7.1	128.6	437.9	42.1	480.0
1985	145.5	127.4	(-)0.4	+2.7	124.3	415.9	38.3	454.2
1986	150.4	131.6	(-)0.5	-1.6	133.8	434.3	44.0	478.3
1987	143.4	125.5	(-)0.2	-9.5	134.8	435.4	36.4	471.8
1988	140.4	122.8	3.8	-4.6	131.2	411.7	36.7	448.4
1989	169.9	148.7	1.2	+2.6	147.3	452.4	42.0	494.4
1990	171.0	149.6	1.3	+6.2	144.7	432.7	41.1	473.8
1991	176.4	154.4	(-)0.6	-4.5	158.3	470.2	39.7	509.9
1992 £	167.1	146.2		-6.0 $				

Notes : 1) Output data relate to agricultural year (July-June).

2) Net output has been taken as 87.5 percent of the gross output, 12.5 percent being provided for feed, seed requirements and wastages.

3) Net availabity = Net production (+) Net imports (-) change in Government stocks.

4) Figures in respect of change in stocks with trader and producers are not available. The estimates of net availability should not, therefore, be taken to be strictly equivalent to consumption.

£ Preliminary estimates.

$ Change in stocks : end-June 1992 over end-June 1991.

Source : Economic Survey ,1991-92.

sene, soft coke, etc. While the functions of the Central Government is to procure, store and transport PDS items upto the central godowns, the implementation and administration of PDS is the responsibility of the State Governments and Union Territories. They lift these commodities from central godowns/mills and distribute them to consumers through the network of fair price shops. Monitoring and inspection and enforcement of legal provisions is also done by the State Governments and Union Territory Administrations.

Special emphasis is laid on the opening of fair price shops in remote, far flung and inaccessible areas with particular stress on the coverage of the tribal population. As a result, the network of PDS has expanded over the years. The number of fair price shops increased from 3.02 lakh on March 31,1984 to 3.78 lakh as on March 31, 1991.

The scheme of distribution of foodgrains at specially subsidised prices to the people in areas under the Integrated Tribal Development Programme (ITDP) is being implemented in 19 States/Union Territories besides covering the entire population in 6 tribal majority States. In addition, two districts in Assam, viz., North Cachar and Karbi Anglong continued to benefit from the scheme. Wheat and rice are supplied by the Food Corporation of India to these State Governments/Union Territory Administrations at a specially subsidised price. The State Governments are required to issue these grains to the beneficiaries/ card holders after adding a margin of Rs. 25 per quintal to meet incidental expenses like transport, margin for wholesalers/retailers, storage, etc. During 1990-91, a quantity of 18.77 lakh tonnes of foodgrains, comprising 7.59 lakh tonnes of wheat and 11.18 lakh tonnes of rice were distributed in the ITDP areas.

The current emphasis of the Government is to strengthen and streamline the public distribution system in order to improve its reach to the consumers living in areas of relative economic disadvantage.Consequent to the discussions with the State Governments and UT Administrations, it was agreed that the new scheme would be implemented in about 1700 blocks covered by the Drought Prone Area Programme (DPAP), the Integrated Tribal Development Projects (ITDP),Desert Development Programme (DDP) and certain Designated Hill Areas (DHA). The other features of the new Scheme are:

i) An area approach would be adopted for ensuring effective reach of PDS commodities especially to these areas.

ii) Delivery of PDS commodities to the door steps of fair price shops would be taken up by the State Governments in the identified areas wherever feasible.

iii) Additional ration cards would be issued to those families in the identified areas who have not been issued family cards so far and efforts would be made to eliminate bogus units/cards.

iv) Infrastructure requirements such as additional fair price shops and additional storage capacity would be created in the identified areas as a time bound programme.

v) Additional commodities such as tea, salt, pulses and soap would be included for distribution through PDS based on local needs and availability.

In quantitative terms the above proposals are estimated to benefit about 16.7 crore people living in about 1700 blocks in 27 States/UTs in the country. The number of additional ration cards to be issued in the identified areas has been estimated at about 23 lakhs. Over 11,000 additional fair price shops are to be opened in the identified areas. The additional storage capacity to be created has been estimated at 3.2 lakh metric tonnes.

The plan schemes of Central Government for providing financial assistance to States/Union Territories in the form of loan/subsidy for purchase of mobile vans and construction of godowns were continued during 1991-92. Under the scheme for assistance for mobile fair price shops, an amount of Rs.205 lakhs was disbursed up to March 1992 as central assistance for purchase of mobile vans. During 1990-91, assistance for the purchase of 58 mobile vans was disbursed to States/Union Territories. Since inception, Rs.12.28 crore have been disbursed to acquire 510 vehicles under the scheme.

Distribution of Foodgrains

Distribution of both rice and wheat under PDS was higher during the calendar year 1991 compared to the preceding year. The increased off - take of rice and wheat under PDS is attributable to higher price differential between the open market and PDS prices

of these commodities during 1991. In the calendar year 1991, a total quantity of 19.64 million tonnes of foodgrains were distributed under PDS (including issues under JRY and open market sale of wheat by FCI) as against 14. 72 million tonnes of foodgrains distributed during the calendar year 1990. It comprised 9.73 million tonnes of rice, 9.91 million tonnes of wheat as compared to 7.84 million tonnes of rice and 6.88 million tonnes of wheat during the calendar year 1990. During the first half of 1992 (January - June), total off - take of foodgrains was, however, much lower at 9.05 million tonites than the total off-take of 9.99 milion tonnes during the corresponding period of the preceding year (Table III-4).

Table III-4 : Total Distribution of Foodgrains (Centre + States + NREP +RLEGP+ EGS + JRY,etc.)

(Million tonnes)

Year (January to December)	Rice			Wheat					Coarse-grains PDS	Total Foodgrains distribution (4+9+10)
	PDS	NREP/ RLEGP/EGS/ JRY, etc.	Total (2+3)	PDS	NREP/ RLEGP/EGS/ JRY,etc.	Roller Flour Mills	Open Market Sale by FCI*	Total (5+6+7+8)		
1	2	3	4	5	6	7	8	9	10	11
1985	7.13	0.09	7.22	3.18	0.23	5.01	0.64	9.06	0.08	16.36
1986	8.32	0.23	8.55	4.54	1.62	2.50	2.49	11.15	0.29	19.99
1987	9.15	0.55	9.70	5.81	2.94	-	3.90	12.65	0.12	22.47
1988	9.25	0.28	9.53	7.53	1.04	-	1.67	10.24	0.21	19.98
1989	8.44	0.12	8.56	6.95	0.29	-	0.58	7.82	0.08	16.46
1990	7.76	0.08	7.84	6.48	0.14	-	0.26	6.88	Neg.	14.72
1991	9.72	0.01	9.73	8.91	0.02	-	0.98	9.91	-	19.64
January-June										
1991	4.54	0.01	4.55	4.45	0.01	-	0.98	5.44	-	9.99
1992@	4.61	0.02	4.63	4.16	0.03	-	0.23	4.42	-	9.05

@ : **Provisional**
* : Food Corporation of India started open sales of wheat from November 15,1985. These sales were, however, suspended during the period April 1 to July 3, 1989.
PDS : Public Distribution System.
NREP : National Rural Employment Programme.
RLEGP : Rural Landless Employment Guarantee Programme.
EGS : Employment Guarantee Scheme.
JRY : Jawahar Rozgar Yojana.
FCI : Food Corporation of India.

Source : Ministry of Food and Civil Supplies, Government of India.

Procurement and Buffer Stocks

Procurement and maintenance of foodgrains stocks is basic to the public distribution. Foodgrains procured by Government agencies are utilised for (i) distribution under PDS, (ii) sales to roller flour mills for conversion into wheat products and (iii) building up of buffer stocks. Besides procurement of wheat and paddy under the price support policy, rice was also procured through a statutory levy of a stipulated percentage of production imposed by some State Governments on rice millers and wholesale traders in their States.

The minimum support prices for *Kharif* cereals, coarse cereals, pulses, oilseeds and cotton for the

Table III-5 : Total Distribution of Foodgrains (Centre + States + NREP + RLEGP + EGS + JRY,etc.)

(Million tonnes)

Year (April - March)	Rice			Wheat					Coarse-grains PDS	Total Foodgrains distribution (4+9+10)
	PDS	NREP/ RLEGP/EGS/ JRY,etc.	Total (2+3)	PDS	NREP/ RLEGP/EGS/ JRY,etc.	Roller Flour Mills	Open Market Sale by FCI*	Total (5+6+7+8)		
1	2	3	4	5	6	7	8	9	10	11
1985-86	2.32	0.08	7.40	3.71	0.97	5.43	1.61	11.72	0.16	19.28
1986-87	8.65	0.38	9.03	4.62	1.95	0.86	2.92	10.35	0.23	19.61
1987-88	9.56	0.55	10.11	6.85	2.37	-	3.56	12.78	0.11	23.00
1988-89	8.93	0.15	9.08	7.05	0.60	-	1.01	8.66	0.23	17.97
1989-90	8.30	0.12	8.42	6.84	0.26	-	0.23	7.33	0.04	15.79
1990-91	7.83	0.02	7.85	7.09	0.02	-	1.11	8.22	-	16.07
1991-92 @	9.92	0.02	9.94	8.73	0.04	-	0.29	9.06	-	19.00
April - June 1991	2.46	-	2.46	2.01	Neg.	-	0.08	2.09	-	4.55
1992 @	2.33	-	2.33	1.90	Neg.	-	0.02	1.92	-	4.25

@ Provisional
* : Food Corporation of India started open sales of wheat from November 15,1985. These sales were, however, suspended during the period April 1 to July 3, 1989.
PDS : Public Distribution System.
NREP : National Rural Employment Programme.
RLEGP : Rural Landless Employment Guarantee Programme.
EGS : Employment Guarantee Scheme.
JRY : Jawahar Rozgar Yojana.
FCI : Food Corporation of India.

Source : Ministry of Food and Civil Supplies, Government of India.

1991-92 season were fixed by the Government based on the revised methodology for the estimation of cost of production of crops. It has also taken into account the increase in the prices of fertilizers. In order to maximise procurement in 1991-92, the procurement prices of all varieties of paddy were raised by Rs. 25 per quintal. Similarly, the procurement price of wheat for 1992-93 marketing season was also enhanced by Rs. 25 per quintal to Rs. 250 per quintal. Further, the Government of India announced a bonus of Rs. 25 per quintal to farmers who offered wheat to official procurement agencies. Besides, some State Governments (viz. Punjab, Haryana and Rajasthan) offered to pay an additional incentive of Rs. 5 per quintal of foodgrains sold. The Madhya Pradesh Government offered incentive bonus of Rs. 25 per quintal in addition to bonus offered by the Central Government (Table III-7).

The building up and maintenance of national grain reserve/buffer stocks is one of the main planks of food management policy of the Government for ensuring stability in supplies and also prices of foodgrains both in normal years as also during periods of droughts and floods. According to the decision taken by the Government in December 1990, the size of the minimum stocks of wheat and rice to be maintained by the public agencies in the country should be as under on different dates of a year.

Minimum Stocks

in million tonnes

Date	Wheat	Rice	Total
1	2	3	4
April 1,	3.7	10.8	14.5
July 1,	13.1	9.2	22.3
October 1,	10.6	6.0	16.6
January 1,	7.7	7.7	15.4

Aggregate foodgrains stocks as at end-June 1992 stood at 15.1 million tonnes (comprising 8.4 million tonnes of rice and 6.7 million tinnes of wheat)as compared with 21.1 million tonnes at end-June 1991 (consisting of 9.9 million tonnes of rice, 11.0 million tonnes of wheat and 0.2 million tonnes of coarsegrains) (Table III-6). The stocks were also lower than the minimum stock norms of 22.3 million tonnes prescribed for July 1,of each year.

Commodity - wise review

Rice

Rice is the most important cereal crop in India. A large part of the area sown under rice is rainfed and, therefore, *Kharif* rice predominates. During 1990-91 an area of 39.6 million hectares was under *Kharif* while *Rabi* summer rice is grown over an area of 3.0 million hectares. The *Kharif* rice production in 1990-91 was 66.3 million tonnes as compared to 65.9 million tonnes in the previous *Kharif* season.

The *Rabi* summer rice is cultivated mainly in the States of Andhra Pradesh, West Bengal, Orissa, Karnataka and Tamil Nadu. The 1990-91 *Rabi* rice output at 8.0 million tonnes was marginally higher compared with 7.7 million tonnes in the previous *Rabi* season.

The production target for rice in 1991-92 was 76.5 million tonnes. The delay as well as inadequacy of 1991 South-West monsoon affected the rice coverage during *Kharif* season in some important rice growing States such as Bihar, Uttar Pradesh, Haryana, West Bengal, Andhra Pradesh, Madhya Pradesh and Orissa. Floods in the States of Assam, Orissa, Kerala and Andhra Pradesh also caused damage to the crop. These adverse factors have affected the overall *Kharif* rice Production.

As a consequence rice production during 1991-92 is estimated at 73.7 million tonnes comprising 64.8 million tonnes of *Kharif* rice and 8.9 million tonnes of *Rabi* rice. During 1990-91, rice Production had reached a new peak of 74.3 million tonnes. *Kharif* production of rice at 64.8 million tonnes in 1991-92 fell short of the target of 68.5 million tonnes by 3.7 million tonnes or by 5.4 per cent. Due to delayed and inadequate rain,the area coverage under HYV rice also declined affecting the *Kharif* prospects in 1991-92. However, *Rabi* rice production at 8.9 million tonnes has slightly exceeded the target of 8.0 million tonnes. This was possible because of the all out efforts made by the State Governments for increasing *Rabi* rice production by adopting improved production technology and efficient use of inputs like location specific high yielding varieties, fertilizers, micronutrients, pesticides, etc. (Table III-1).

The ongoing centrally sponsored Integrated Programme for Rice Development (IPRD) was continued. The States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram and Nagaland were also included under this programme. Including these States, the IPRD was implemented in 240 districts of 24 States. The programme places emphasis on the propagation of improved rice production technology by organising field demonstrations on herbicide use, low cost rice production technology and rainfed rice production technology. Apart from training programme for farmers, farm labourers including women are given equal attention under the programme. Besides, financial assistance was provided to the resource - poor small and marginal farmers for use of inputs. Paddy seed minikits of location specific high yielding varieties were also distributed to the farmers at nominal cost with the objective of propagating the cultivation of such varieties.

The Government's price policy aims at ensuring remunerative prices to the growers for their produce with a view to encouraging higher investment and production and safeguarding the interests of consumers by making available supplies at reasonable prices. In order to achieve these objectives, the Government announces each season procurement/ support prices for major agricultural commodities. The Commision for Agricultural Costs and Prices (CACP) adopted a revised methodology for estimating the cost of production of crops for purposes of recommending procurement/minimum support prices with effect from *Kharif* crops of 1990-91 season. The Government has on its part fixed the minimum support prices for *Kharif* crops of 1991-92 compensating the farmers for the 30 per cent rise in fertilizer prices.

The support prices of all *Kharif* crops for 1991-92 season had been fixed at much higher levels. The minimum support prices of paddy and coarse cereals were raised by Rs. 25 per quintal and

that of pulses by Rs. 65 per quintal. For the first time with a view to meeting the requirements of poultry feed and encouraging cultivation of maize, its minimum support price was raised more than other coarse cereals. The minium support price of maize was enhanced by Rs. 30 per quintal. For 1992-93 marketing season, the procurement price of wheat was raised to Rs. 250 per quintal from Rs. 225 per quintal (Table III-7).

Central issue prices under the PDS are revised by the Government periodically keeping in view, ***inter alia,*** the increase in procurement prices, increase in transport and distribution costs, etc. With effect from December 28, 1991, the issue prices of common, fine and super fine varieties of rice supplied through the PDS were raised to Rs. 377, Rs 437, and Rs. 458 per quintal, respectively, from Rs. 289, Rs. 349 and Rs. 370 per quintal, respectively (Table III-8).

The total procurement of rice (including paddy in terms of rice) during the marketing year 1990-91 (October - September) was 12.66 million tonnes. During the current *Kharif* marketing season 1991-92, a total quantity of 10.14 million tonnes of rice was procured (upto June 26,1992) which was lower by 18.8 per cent than the 12.49 million tonnes procured during the same period in 1990-91 (Table III-9). Rice stocks with the Government as at end-June 1992 stood at 8.38 million tonnes compared with 9.86 million tonnes as at end-June 1991, showing a fall of 15.0 per cent.

Distribution of rice through the PDS including issues for National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Employment Guarantee Scheme (EGS) and Jawahar Rozgar Yojana (JRY) during 1991 aggregated 9.73 million tonnes compared with 7.84 million tonnes in the preceding year. During the first half of 1992,4.61 million tonnes of rice was distributed through the PDS compared with 4.54 million tonnes during the corresponding period of 1991, showing a rise of 1.5 per cent (Table III-4).

Wheat

Wheat is the most important *Rabi* cereal crop in the country occupying about 52 per cent of the total area under *Rabi* foodgrains. The average area under this crop since 1988-89 has been around 24 million hectares of which about 18 million hectares are irrigated. Wheat production has, by and large, shown consistent increases. The contribution of wheat to total foodgrains production has increased from 14 per cent in 1965-66 to 29.1 per cent in 1989-90. During 1990-91, the production of wheat jumped upto 55.1 million tonnes from 49.8 million tonnes in 1989-90.

During 1991-92, the target of wheat output had been fixed at 56.5 million tonnes. The States were given assistance under Special Thrust Programme with a view to increasing the area coverage and productivity. Special Foodgrains Production Programme - Wheat (SFPP-Wheat) was implemented in 131 districts spread over seven States during 1991-92. The States selected for this programme were Bihar, Gujarat, Haryana, Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh. An outlay of Rs. 20 crore was provided for implementation of the programme. With this programme in place wheat production during 1991-92 was placed at 55.1 million tonnes.

Procurement price of wheat of fair average quality was raised by Rs 25. per quintal to Rs.250 per quintal for the 1992-93 *Rabi* marketing season. With a view to achieving adequate quantity under procurement in the 1992-93 marketing season, the Government of India decided to give an incentive bonus of Rs 25. per quintal to farmers selling wheat to the Food Corporation of India and its agencies during April 1 and May 31, 1992. The date was extended till June 30, 1992. Besides, the State Governments of Punjab, Haryana and Rajasthan also offered an additional Rs. 5 per quintal to farmers who sold their wheat to procurement agencies. The amount of bonus announced by Madhya Pradesh Government was Rs. 25 per quintal.Thus, in effect the procurement price of wheat came to Rs. 280–300 per quintal depending on the State in which procurement has taken place.

The issue price of wheat supplied through the PDS was raised to Rs. 280 per quintal with effect from December 28, 1991 from Rs. 234 per quintal fixed on May 1, 1990 (Table III-8).

Despite concerted efforts to increase procurement of wheat, procurement during the 1992-93

Table III-6 : Basic Data Relating to Major Foodgrains

(Million tonnes)

Year	Production			Procurement			Imports			Public Distribution $			Year-end Stocks		
	Rice	Wheat	Coarse-grains	Rice	Wheat	Coarse-grains	Rice	Wheat	Coarse-grains	Rice	Wheat	Coarse-grains	Rice	Wheat	Coarse-grains
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1983-84	60.1	45.5	33.9	7.7	9.3	-	0.6	2.1	-	6.8	6.5	0.1	7.7	14.7	0.1
1984-85	58.3	54.1	31.1	9.9	10.3	0.2	-	-	-	7.2	9.1	0.1	9.9	15.1	0.2
1985-86	63.2	47.0	26.2	9.8	10.5	0.1	Neg.	-	-	8.5	11.2	0.3	9.4	14.1	0.1
1986-87	60.6	44.3	26.8	9.2	7.9	Neg.	Neg.	0.1	Neg.	9.7	12.7	0.1	6.5	7.6	0.1
1987-88	56.8	46.2	26.4	6.9	6.5	0.2	Neg.	Neg.	Neg.	9.5	10.3	0.2	4.6	4.7	0.1
1988-89	70.5	54.1	31.5	7.7	9.0	Neg.	0.6	1.6	0.1	8.6	7.8	0.1	6.1	6.0	Neg.
1989-90	73.6	49.8	34.8	11.8	11.1	0.2				7.8	6.9	Neg.	9.5	9.4	0.2
1990-91	74.3	55.1	32.7	12.7	7.8	0.2				9.7	9.9	-	9.3	5.4	Neg.
1991-92#	73.7	55.1	26.3	10.1	6.3	Neg.				4.6	4.4	-	8.4	6.7	Neg.
				(12.4)	(7.7)	(0.2)				(4.6)	(5.4)	(-)	(9.9)	(11.0)	(0.2)
1992-93 (Target)	77.3	57.0	34.2												

Notes : 1) Production figures relate to agricultural year (July-June).

2) Procurement figures are shown against the crop year but relate to the marketing season which is April-March for wheat and October - September for rice and coarsegrains.

3) Import figures relate to financial year (April-March).

4) Public distribution and year-end stocks relate to calendar year.

5) Figures in brackets relate to corresponding period of the previous year.

$: Includes quantities released under FWP/NREP/RLEGP as also for Roller Flour Mills and open market sales of wheat.

 # : Procurement, stocks and off-take figures relate to end-June 1992.

Neg. : Negligible.

Source : Ministry of Agriculture and Ministry of Food and Civil Supplies, Government of India.

Table III-7 : Minimum Support/Procurement Prices (Marketing Season)*

(Rs. per quintal)

Commodities	1987-88		1988-89		1989-90		1990-91		1991-92		1992-93	
	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure ment Price	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure ment Price	Minimum Support Price	Procure-ment Price
1	2	3	4	5	6	7	8	9	10	11	12	13
Paddy-Common		150		160		185		205		230		
Paddy-Fine		154		170		195		215		240		
Paddy-Superfine		158		180		205		225		250		
Wheat		166		173		183		215		225		250#
Jowar		135		145		165		180		205		
Bajra		135		145		165		180		205		
Maize		135		145		165		180		210		
Ragi		135		145		165		180		205		
Barley	135		135		145		180		200		210	
Gram	280		290		325		421		450		500	
Moong	325		360		425		480		545			
Urad	325		360		425		480		545			
Tur	325		360		425		480		545			

* : Marketing season relates to October-September for rice and coarsegrains and April-March for wheat and pulses.

\# : The Government of India as well as few State Governments announced bonus of Rs.25 per quintal and Rs.5 per quintal, respectively to farmers who offered wheat to procurement agencies (i.e.,Rs.250 + Rs.25 + Rs.5 = Rs.280).
For Madhaya Pradesh procurement price is Rs.300 per quintal.

Source : Ministry of Agriculture, Government of India.

Table III-8 : Issue Prices of Foodgrains

(Rs.per quintal)

	With effect from								
	1-10-82	16-1-84	10-10-85	1-2-86	1-10-86	1-10-87	25-1-89	1-6-90	28-12-91
Rice									
Common	188	208	217	231	239	239	244	289	377
Fine	200	220	229	243	251	264	304	349	437
Superfine	215	235	244	258	266	279	325	370	458

	With effect from									
	1-8-82	15-4-83	10-8-84	1-2-86	1-4-86	17-7-86	1-5-87	22.3.88	1-5-90	28-12-91
Wheat										
Public distribution system	160	172	172	190	190	190	195	204	234	280
Roller flour mills	185	208	172	190	220	205	210			
Open market sale					205	205	210	240		

Source : Ministry of Food and Civil Supplies, Government of India.

Table III-9 : Procurement of Rice (including Paddy in terms of rice)
(Marketing Season-October-September)

(Thousand tonnes)

States/ Union Territories	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92 (upto end-June 1992)	1990-91 (upto end-June 1991)
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	1789	1573	1468	1515	1478	2490	3334	2216	3296
Haryana	978	1042	680	319	674	956	1062	918	1035
Karnataka	101	82	121	67	121	154	145	109	142
Madhya Pradesh	361	571	459	279	284	340	631	403	615
Orissa	112	136	123	67	132	230	210	244	206
Punjab	4293	4177	4333	3355	2856	4998	4821	4244	4796
Tamil Nadu	807	950	886	551	755	941	898	983	880
Uttar Pradesh	1121	1067	1015	607	1215	1514	1343	831	1319
West Bengal	97	69	49	63	97	98	102	71	93
Others	204	168	777	70	99	107	111	118	104
TOTAL	**9863**	**9835**	**9211**	**6873**	**7711**	**11828**	**12657**	**10137**	**12486**

Source : Ministry of Food and Civil Supplies, Government of India.

(April-June 1992) *Rabi* marketing season was 6.36 million tonnes as against 7.74 million tonnes during the same period of 1991-92 season, showing a decline of 17.8 per cent (Table III-10).

During the financial year 1991-92, the total off-take of wheat was 9.06 million tonnes as compared to 8.22 million tonnes in 1990-91, showing an increase of 10.2 per cent. Off-take of wheat under the PDS (including NREP, RLEGP, EGS, JRY, etc.) was 8.77 million tonnes as against 7.11 million tonnes in 1990-91. The total off-take of wheat during the first quarter of the financial year 1992-93 was 1.92 million tonnes compared with 2.09 million

tonnes during the same period of 1991-92 (Table III-5).

Wheat stocks as at end-June 1992 stood at 6.7 million tonnes compared with 11.0 million tonnes as at end-June 1991, showing a decline of 39.1 per cent. Compared to the stipulated requirement as per norms for the periods, the quantity was short by 6.4 million tonnes (Table III-6).

Imports and Exports

During 1991-92, there were no import of wheat and rice up to January 1992. However, Government decided to import one million tonnes of wheat during the year 1992 with a view to improve the availability of wheat. The feasibiliy of importing some quantity of rice was also explored.

During 1991-92, about 6.5 lakh tonnes of wheat was exported up to end - January 1992.

Coarsegrains

Coarse cereals are grown over an area of about 36.5 million hectares in the country and include jowar, bajra, maize, ragi, small millets and barley. The production of coarse cereals has shown wide fluctuation from year to year depending upon the weather conditions. The maximum production so far achieved was 34.8 million tonnes in the year 1989-90. In 1990-91, the output was 32.7 million tonnes.

The production of coarse cereals in 1991-92 is estimated at 26.3 million tonnes (comprising 22.2 million tonnes of *Kharif* Production and 4.1 million tonnes of *Rabi* production against the target of 34.0 million tonnes and the actual production of 32.7 million tonnes in 1990-91. The unfavourable weather conditions affected the production of coarse cereals in 1991-92. The major setback was experienced in jowar and maize. The decline in the area under coarse cereals cultivation also affected the output.

The Special Foodgrains Production Programme of Maize and Millets (SFPP-Maize and Millets) was implemented during 1991-92 in 170 districts spread over 13 States viz. Andhra Pradesh (15), Bihar (10), Gujarat (11), Haryana (9), Himachal Pradesh (7), Jammu & Kashmir (3), Karnataka (16), Madhya Pradesh (14), Maharashtra (26), Orissa (2), Rajasthan (23), Tamil Nadu (8) and Uttar Pradesh (26). The programme was implemented with an allocation of Rs. 20.0 crore. Through this scheme, certified seeds of maize and millets, herbicides, seed treatment chemicals, plant protection chemicals, farm implements were distributed at subsidised/nominal cost. Under this scheme, demonstrations were also organised to educate farmers to adopt improved rainfed technologies in respect of maize and millets,

Table III-10 : Procurement of Wheat
(Marketing Season-April-March)

(Thousand tonnes)

States/ Union Territories	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1990-91 (April-June)	1991-92 (April-June)	1992-93 (April-June)
1	2	3	4	5	6	7	8	9	10	11
Haryana	1959	2339	2247	1261	1971	2595	1834	2590	1833	1372
Madhya Pradesh	14	6	Neg.	-	-	Neg.	-	Neg.	-	Neg.
Punjab	6151	6484	4419	4748	5600	6749	5543	6723	5533	4505
Uttar Pradesh	2174	1598	1152	521	1323	1583	368	1481	366	466
Others	49	109	62	5	106	138	7	135	8	20
TOTAL	**10347**	**10536**	**7880**	**6535**	**9000**	**11065**	**7752**	**10929**	**7740**	**6363**

Source : Ministry of Food and Civil Supplies, Government of India.

Neg. : Negligible

as well as promoting effective control of weeds through use of herbicides.

The Food Corporation of India also procures coarsegrains for the PDS. For providing price support in this regard, the FCI makes arrangements with State Agencies for procurement of coarsegrains from different producing States. However, as open market prices of coarsegrains generally ruled much higher than the minimum support price, procurement of coarsegrains was very little. During the 1991-92 marketing season (i.e. October-September) till July 3, 1992, very negligible quantity of coarsegrains were procured. During the corresponding period of the last season procurement of coarsegrains totalled 0.20 million tonnes. Coarsegrains stocks with the Central and State Governement agencies at the end of June 1992 was negligible as against 0.22 million tonnes a year ago.

Pulses

Pulses form an important part of Indian diet. Pulses are grown mainly under unirrigated conditions. Only about 9 per cent of the area under pulses has assured irrigation facilities. They account for less than 8 per cent of the total foodgrains production, with yield per hectare ranging 500-600 Kgs. per hectare. The major pulses are gram and arhar (tur). Gram accounted for 30.4 per cent of the total area and 37 per cent of the pulses production during 1990-91, whereas arhar accounted for 14.8 per cent and 17.3 per cent. For the last ten years or so, the production of pulses hovered around 12-14 million tonnes.

The production of pulses in 1991-92 had been targetted at 15.5 million tonnes comprising 6.1 million tonnes of *Kharif* and 9.4 million tonnes of *Rabi* season. For achieving the above target, pulses development programmes such as National Pulses Development Project (NPDP) and the Special Foodgrains Production Programm-Pulses (SFPP-Pulses) were continued during 1991-92. Pulses have also been included in the mandate of the Technology Mission on Oilseeds. An integrated approach to crop production technology and price support/market intervention is being adopted to increase productivity.

The total production of pulses during 1991-92 is estimated at 12.0 million tonnes as against 14.3 million tonnes in 1990-91.

The National Pulses Development Project (NPDP), a centrally sponsored scheme, is being operated with the objective of increasing production of pulses through adoption of location specific varieties and improved technology. Emphasis is laid on (i) increasing the area through multiple and intercropping and (ii) increasing yield per unit of area. Under the programme, assistance is provided for seeds, conducting demonstrations, plant protection measures, improved farm implements, training of extension workers, etc. A total amount of Rs. 21 crore has been provided in 1991-92 under the programme on 75:25 sharing basis between the Government of India and the State Governments. In addition, pulses development is also being promoted by SFPP-Pulses, a Central Government Sponsored Programme with emphasis on: (i) plant protection for gram and arhar and (ii) expansion of area under summer moong/urad through distribution of seeds at concessional rates.

An outlay of Rs. 6 crore has been earmarked for the implementation of the programme during 1991-92. SFPP-Pulses will continue to be implemented during 1992-93 with 100 per cent Central assistance.

The National Agricultural Co-operative Maketing Federation of India (NAFED) is the central nodal agency for implementing the minimum price support scheme in respect of pulses. As market prices were well above the minimum support prices, NAFED had not to purchase under this scheme. NAFED, however, procured pulses as part of their commercial operations. For the marketing season 1991-92, minimum support prices of barley and gram had been raised from Rs. 180 and Rs. 421 per quintal to Rs. 200 and Rs. 450 per quintal, respectively, The minimum support prices of tur, moong and urad were raised by Rs. 65 per quintal to Rs. 545 per quintal from Rs. 480 per quintal (Table III-7).

Cotton

The Ministry of Agriculture has estimated the cotton crop for 1991-92 cotton season (September-August) at 98.36 lakh bales almost same as that of 98.42 lakh bales in the previous season. The estimated crop of 98.36 lakh bales for 1991-92 is, however, lower than the target of 120.0 lakh bales fixed for the season.

The 1991-92 cotton season commenced with the timely sowing of irrigated *Kharif* cotton in the northern States of Punjab, Haryana, Uttar Pradesh and Rajasthan. The supply of canal water, power and diesel was generally normal. In the central States of Maharashtra, Gujarat and Madhya Pradesh, the South-West monsoon arrived on time and the sowing of rainfed *Kharif* cotton also commenced in time. However, the deficient rainfall and prolonged dry-spell in Gujarat and Maharashtra adversely affected germination and growth of crop as well as productivity in these States. There have been reports of pest attack in the State of Gujarat. In the southern States of Andhra Pradesh, Karnataka and Tamil Nadu good rainfall was beneficial to the crop. In Karnataka, however, some part of the area under cotton was diverted to oilseeds and other *Kharif* crops as a result of which the output in the State was somewhat lower.

In northern States, however, in view of good weather conditions, the cotton crop was excellent and partly off-set the crop loss suffered in Maharashtra, Gujarat and Karnataka. Thus, the overall size of the cotton production in 1991-92 season, as mentioned earlier, has been placed at 98.36 lakh bales.

The Cotton Advisory Board (CAB) at its meeting held on October 9, 1992 estimated the cotton production for the 1991-92 season at 119.00 lakh bales. The supply-demand position of cotton for the 1991-92 season, as estimatedby CAB, is considered comfortable. The 1991-92 cotton season commenced with an opening stocks of 22.64 lakh bales. Taking into consideration the season's output of 119.00 lakh bales and imports of 3.0 lakh bales, the overall cotton supply during the 1991-92 season was 144.64 lakh bales as against 150.04 lakh bales in the previous season. On the demand side, the cotton consumption by mills was placed lower at 103.09 lakh bales as compared with 108.00 lakh bales during the preceding season. The fall in cotton consumption by mills had been attributed to high cotton prices, power shortages and strike in textile mills in southern States. The cotton requirement by non-mill users was estimated at 8.00 lakh bales. In view of the increasing demand for cotton from the mills sector in recent years and the lower size of the cotton crop, the cotton exports during the season were placed at only 0.77 lakh bales as against 11.90 lakh bales in the previous season. Thus, the total off-take during the 1991-92 season was 111.86 lakh bales, leaving the stocks at the end of the 1991-92 season at 32.78 lakh bales as against 22.64 lakh bales at the end of the previous season. The supply-demand position of cotton during the past few years is presented in Table III - 11.

Table-III-11 : Supply-Demand Position of Cotton-CAB's Estimates

(Lakh bales of 170 Kgs.each)

	SEPTEMBER-AUGUST					
	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6	7
I. SUPPLY	134.50	110.52	126.93	157.75	150.04	144.64
1. Opening stock	39.50	20.00	18.68	22.00	33.04	22.64
2. Production	95.00	90.00	106.00	135.75	117.00	119.00
	(69.1)	(63.8)	(87.4)	(114.2)	(98.4)	(98.4)
3. Imports	-	0.52	2.25	-	-	3.00
II. DEMAND	114.23	97.94	104.77	124.71	127.40	111.86
1. Mill consumption	95.00	92.00	98.00	104.50	108.00	103.09
2. Ex.-factory consumption@	5.50	5.50	6.00	6.50	7.50	8.00
3. Exports	13.73	0.44	0.77	13.71	11.90	0.77
III. CLOSING STOCK (I-II)	20.27	12.58	22.16	33.04	22.64	32.78

Note : 1) Figures in brackets represent estimates by the Ministry of Agriculture, Government of India.

2) Figures showing opening stocks are different than that of closing stocks of preceding years in some cases as the opening stocks are compiled afresh every year.

@: Including Ambar Charkha, Surgical Dressing Factories and Waste Spinning Units.

Source : Cotton Advisory Board.

The Government's price policy for 1991-92 season continued to be guided by the twin objectives of assuring remunerative prices to the farmers and ensuring reasonable prices to the user industry. The minimum support prices for 1991-92 season for two basic varieties of cotton viz. F-414/H-777 for short and medium staple and H-4 variety for long staple group were fixed by the Government on the recommendations of the CACP. The minimum support prices for 1991-92 season for F-414/H-777 and H-4 were raised to Rs. 695 and Rs. 840 per quintal, respectively, from Rs. 620 and Rs. 750 per quintal, respectively, last season. The prices of other major varieties of cotton were fixed by a committee under the Chairmanship of Textile Commissioner, taking into consideration the prices recommended by CACP.

Role of Procurement Agencies

During the 1991-92 season, the Cotton Corporation of India (CCI) continued its purchase operations (i) to undertake price support operations whenever prices of *Kapas* fall below support prices announced by the Government, (ii) to procure cotton for meeting the requirements of National Textile Corporation and other institutional buyers like Khadi Village and Industries Commission on indent basis and (iii) to undertake purchases of cotton to fulfil export quota given by Government of India. The CCI operates in all the States where cotton is grown except in Maharashtra which has its own State Monopoly Procurement Scheme.

During 1991-92 season, the CCI purchased 10.01 lakh bales of cotton as against 10.19 lakh bales purchased during 1990-91 season. The entire quantity of 10.01 lakh bales was purchased on commercial basis. In Maharashtra, the State owned agency namely the Maharashtra State Co-operative Cotton Growers' Marketing Federation (MSCCGMF) undertakes the procurement operations under its monopoly procurement scheme. The CCI does not purchase cotton in Maharashtra. The procurement of cotton by MSCCGMF under the scheme commenced in Western Maharashtra in mid-July 1991 and in Vidarbha, Marathwada and Khandesh in October 1991. Under the Scheme, the MSCCGMF procured 51.08 lakh quintals of raw cotton in 1991-92 and on processing turned to 10.63 lakh bales against 13.56 lakh bales procured in 1990-91 season (Table III-12). During the 1991-92 season, the MSCCGMF paid advance additional price at 35 per cent to the growers amounting to Rs. 136.60 crores.

Export and Import of Cotton

During the cotton year 1991-92, the Government of India released an export quota of one lakh bales of Bengal Deshi cotton out of which 0.77 lakh bales were exported. During the cotton year 1990-91, 11.90 lakh bales of cotton were exported.

In view of the lower size of the cotton crop during 1991-92 season and the rising trend in prices, the Government of India allowed the CCI to import upto two lakh bales of cotton free of import duty and supply the imported cotton to spinning mills on the condition that the latter convert it into yarn and supply the same to the handloom sector at concessional price. In addition , textile mills were also allowed to import cotton under advance licensing scheme against their commitment for exports of cotton yarn, fabrics and made-ups.

Table III-12 : Purchases of Cotton by Cotton Corporation of India and under the Maharashtra State Monopoly Procurement Scheme.

(Lakh bales of 170 Kgs. each)

Agency	SEPTEMBER-AUGUST					
	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6	7
CCI	8.23	6.48	5.81	12.40	10.19	10.01
MSCCGMF	13.00	12.59	11.77	20.90	13.56	10.63

Source : 1) The Cotton Corporation of India Ltd.
2) The Maharashtra State Co-operative Cotton Growers', Marketing Federation Ltd.

Intensive Cotton Development Programme (ICDP)

During 1991-92, a Centrally Sponsored Intensive Cotton Development Programme (ICDP) was continued in all the eleven major cotton growing States viz., Punjab, Haryana, Rajasthan, Uttar Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Andhra Pradesh, Karnataka, Tamil Nadu and Orissa. The main strategy of the programme is to increase the production of all types of cotton to meet indigenous requirement of long and medium staple cotton as well as to fulfil export commitments of short and extra-long staple cotton. The following strategy has been adopted during 1991-92 to step up the production:-

i) increasing cultivation in irrigated areas while maintaining net area under the crop particularly in Central and Southern Zones;

ii) increased availability of quality seeds of improved varieties/hybrids;

iii) adoption of intensive plant protection measures on larger area, emphasising on Integrated Pests Management (IPM) system;

iv) Provision of fair prices to the farmers for their produce.

Under the scheme, a great deal of emphasis has been laid on production of quality seeds of improved varieties/hybrids, demonstration of improved plant protection technology and facilitating the processing of cotton. During 1991-92 season, efforts were made to increase the area under irrigated cotton at the tail end of the canals. From 1991-92, use of sprinklers for economic use of irrigation water, aerial spraying of pesticides, supply of tractor mounted sprayers in pest prone areas and farmers training for hybrid seeds production were introduced in ICDP. For 1991-92 the Central outlay for ICDP was Rs. 790.58 lakh shared equally by Government of India and State Governments. During 1992-93, an enhanced outlay of Rs. 1,908.11 lakh with the pattern of fund sharing on 75:25 basis between the Central and State Governments has been approved by Central Government. In addition, an amount of Rs. 68.85 lakh has been earmarked under the Central Sector Programme to be borne in full by the Central Government. Thus, the total outlay under the scheme would be Rs. 1976.96 lakh for 1992-93.

Raw Jute and Mesta

The Ministry of Agriculture has placed the raw jute and mesta production during 1991-92 jute season (July-June) higher at 101.8 lakh bales than the previous year's production of 92.3 lakh bales. The raw jute and mesta output during 1991-92 season consisted of 88.5 lakh bales of jute and 13.3 lakh bales of mesta as against 79.2 lakh bales of jute and 13.1 lakh bales of mesta in 1990-91 season. The target of raw jute for 1992-93 is 92.0 lakh bales.

According to the estimate of the office of Jute Commissioner, the raw jute and mesta production in 1991-92 jute season (July-June) at 90.0 lakh bales was equal to that of the previous year. The 1991-92 season commenced with a higher opening stock of 17.0 lakh bales. The imports of raw jute in 1991-92 were nominal at 0.5 lakh bales. The total supply of raw jute during 1991-92 at 107.5 lakh bales was marginally higher as compared to 105.0 lakh bales in the previous season. The off-take of raw jute during 1991-92 season has been lower at 79.1 lakh bales (including consumption by mills of 74.4 lakh bales, other domestic consumption of 4.5 lakh bales and exports of 0.2 lakh bales) as compared to 87.9 lakh bales during the previous season. The stocks at the end of the 1991-92 season at 28.4 lakh bales were higher as compared with 17.1 lakh bales at the end of the previous season. (Table III-13).

The Minimum Support Price (MSP) for the basic variety of raw jute TD-5 grade in Assam was raised for 1992-93 season to Rs. 400 per quintal from Rs. 375 per quintal for 1991-92 season. The corresponding minimum support prices of all other grades of jute/mesta in different jute/mesta growing States were notified by the Jute Commissioner. In Calcutta, the wholesale price of TD-5 variety was quoted at Rs. 645 per quintal at the beginning of 1991-92 season. The wholesale price of the TD-5 variety of raw jute generally ruled easy in the early part of the season due to the expectations of fairly good crop. The price reached a low of Rs. 410 per quintal on November 27, 1991. After fluctuating in a narrow range the price closed for the season at Rs. 495 per quintal. Thus, though the wholesale price of TD-5 grade ruled easy, it was well above the minimum support price.

Table III-13 : Supply-Demand Postion of Raw Jute and Mesta

(In lakh bales of 180 kgs. each)

Items	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6
I. SUPPLY					
1. Opening stock	45.0	35.0	20.5*	13.5	17.0*
2. Imports	-	-	2.5	1.5	0.5
3. Crop	63.0	65.0	72.5	90.0	90.0
	(67.8)	(78.6)	(82.9)	(92.3)	(101.8)
4. Total Supply (1+2+3)	108.0	100.0	95.5	105.0	107.5
II. DEMAND					
5. Mill Consumption	69.5	78.0	77.5	83.4	74.4
6. Exports	0.5	0.5	0.5	0.5	0.2
7. Other domestic consumption	3.0	4.0	4.0	4.0	4.5
8. Total Demand (5+6+7)	73.0	82.5	82.0	87.9	79.1
III. CLOSING STOCK (4-8)	35.0	17.5	13.5	17.1	28.4

* Opening stock figure for the year 1989-90 and 1991-92 are taken according to the latest balance sheet issued by the Office of the Jute Commissioner.

Note : Figures in bracket represent production data as given by the Ministry of Agriculture

Source : Jute Commissioner's Office.

The prices of medium and inferior grades of raw jute declined sharply to support price levels in many areas during the post- harvesting period in the current season. Owing to financial crunch, the JCI confined its procurement activities for a limited period in some selected centres and its total procurement was about 6.1 lakh bales as against the procurement of 8.5 lakh bales in 1990-91 (Table III-14). Considering supply - demand position of raw jute, no minimum and maximum stock holding limits were prescribed for jute mills during the season. However, on a review of overall market situation and in order to stabilise prices, all mills were advised on November 28,1991 to step up their purchases so as to ensure physical inventory level of not less than 10 weeks consumption requirements by end-December 1991.

The exports of jute goods rose from 2.06 lakh tonnes valued at Rs 275.91 crore in 1990-91 to 2.23 lakh tonnes valued at Rs 358.62 crore during 1991-92. The increase in volume of exports during 1991-92 was attributed mainly to increase in exports of hessian, carpet backing cloth and yarn to General Currency Area. Exports to Rupee Payment Area, however, recorded a sharp decline in terms of quantity as well as value.

Table III-14 : Purchases of Raw Jute by the Jute Corporation of India

(In lakh bales of 180 Kgs.each)

Items	1985-86	1986-87	1987-88	July-June 1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6	7	8
Total Purchases	28.2	22.2	5.4	6.8	5.1	8.5	6.1
Price Support Operations	26.8	22.2	5.4	Neg.	-	-	5.0
Commercial Operations	1.4	-	-	6.8	5.1	8.5	1.1

Neg : Negligible.

Source : Jute Corporation of India.

Special Jute Development Programme

The Centrally Sponsored Scheme (CSS) on Special Jute Development Programme (SJDP) was launched in 1987-88 replacing the Intensive Jute Development Programme (IJDP). The SJDP aims at increasing productivity and quality of fibre. The programme has been implemented on 288 thousand hectares of jute, 32 thousand hectares of mesta and 15 thousand hectares of sanhemp spread over eight jute/mesta growing States viz., West Bengal, Assam Bihar, Orissa, Uttar Pradesh, Meghalaya, Tripura, and Andhra Pradesh.

The broad components of the CSS on Special Jute Development Programme have been grouped into nine major heads viz., seed implements, package demonstrations, essential nutrients minikits, plant protection training, post harvest technology including excavation of retting tank and distribution of fungal culture packets, crop cutting experiments and contingencies. A total quantity of 15,778 quintals of certified jute seeds and 1,160 quintals of quality mesta seeds were distributed. Altogether 8,190 package demonstration of 2 hectare each were laid out in the programme area.

A total number of 312.5 thousand fungal culture packets were also distributed for qualitative improvement of barky jute. During 1991-92, an outlay of Rs. 899 lakh was provided for implementation of SJDP. The target for raw jute production for 1992-93 has been proposed at 92.0 lakh bales and to achieve this target, an outlay of Rs. 930 lakh has been proposed for SJDP during 1992-93.

Oilseeds

The Ministry of Agriculture has estimated the total oilseeds production for 1991-92 marginally lower at 182.8 lakh tonnes as compared to 186.1 lakh tonnes in 1990-91. The estimated oilseeds production was also short of the target of 185 lakh tonnes.

Season-wise, the *Kharif* oilseeds crop during 1991-92 at 89.2 lakh tonnes was substantially lower by 8.8 lakh tonnes or by 9.0 per cent as compared to 98.0 lakh tonnes in the previous season. The setback in *Kharif* oilseeds production was due to poor rainfall in the main oilseeds growing areas of Saurashtra and parts of Andhra Pradesh, Tamil Nadu and Madhya Pradesh. Concerted efforts were made to enhance the *Rabi* oilseeds output in order to make good the decline in *Kharif* production. The winter rains also favoured the *Rabi* crop. As a result, the oilseeds production in the *Rabi* season rose substantially to 93.6 lakh tonnes from 88.1 lakh tonnes in 1990-91 *Rabi* season.

Among major oilseeds,the groundnut production at 70.7 lakh tonnes in 1991-92 was lower as compared to 75.1 lakh tonnes a year ago. However, the rapeseed/mustard production during the year at 58.4 lakh tonnes was substantially higher than in the previous year (52.3 lakh tonnes) and helped to narrow down the overall shortfall. The output of sunflower in 1991-92 moved up to 11.8 lakh tonnes as compared to 8.7 lakh tonnes in the previous year (Table III-15).

With the objective of encouraging higher production and increasing investments in crop cultivation, remunerative prices are offered to growers for their produce. At the same time the interests of the consumers are also safeguarded by making supplies available at reasonable prices. For this purpose, the Government announces each season the minimum support prices for various oilseed crops. These prices are based on the recommendations of CACP and are generally announced well before the commencement of the sowing season of the concerned crop. The Government of India announced on March 17, 1992, a hike in the minimum support prices of *Rabi* oilseeds to be marketed in 1992-93. The Minimum Support Prices (MSP) for rapeseed/mustard and safflower-seed have been revised upward from Rs.600 and Rs. 575 per quintal for 1991-92 to Rs. 670 and Rs. 640 per quintal, respectively for 1992-93. For Ball Copra of FAQ variety, the minimum support price has been fixed for the first time at Rs. 1,850 per quintal for 1991 season. The National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED) is the central nodal agency for implementing the minimum support price scheme for oilseeds. The support prices announced for the 1992-93 marketing season as also for the previous seasons are presented in Table III-16.

Table III-15 : Production of Oilseeds.

(Lakh tonnes)

Items	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6
Target	**140.0**	**156.5**	**165.0**	**180.0**	**185.0**
Production	**126.5**	**180.3**	**169.2**	**186.1**	**182.8**
of which					
a) Kharif	64.2	105.3	96.2	98.0	89.2
b) Rabi	62.3	75.0	73.0	88.1	93.6
Groundnut (in shell).	58.5	96.6	81.0	75.1	70.7
Rapeseed/Mustard	34.6	43.8	41.2	52.3	58.4
Sesamum	5.8	6.8	7.4	8.4	6.7
Safflowerseed	4.6	4.4	4.9	3.2	2.0
Nigerseed	1.8	1.8	1.9	1.9	1.6
Sunflawerseed	6.3	3.7	6.3	8.7	11.8
Soyabean	9.0	15.5	18.0	26.0	22.8
Lineseed	3.9	3.6	3.3	3.3	3.0
Castorseed	2.0	4.1	5.2	7.2	58

Source : Ministry of Agriculture, Government of India.

Table III-16 : Support Prices of Oilseeds. (Marketing Year).

(Rs .per quintal)

Oilseeds (Fair Average Quality).	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-23
1	2	3	4	5	6	7	8
Groundnut (in shell)	370	390	430	500	580	645	750
Soyabean (Black)	255	260	275	325	350	395	475
Soyabean (Yellow)	290	300	320	370	400	445	525
Sunflowerseed	350	390	450	530	600	670	800
Rapeseed/Mustard	400	415	430	460	575	600	670
Toria	360	375	400	430	545	570	725
Safflowerseed	400	415	415	440	550	575	640
Copra	-	-	-	1500	1600	1700	-
Ball Copra	-	-	-	-	-	1850	-

Source : Ministry of Agriculture, Government of India.

The gap between the demand and supply of edible oils in the country still persists and was estimated to be around 6-7 lakh tonnes in the 1991-92 oil year. With a view to augmenting the availability of edible oils, the State Trading Corporation continued to import edible oils. However, due to foreign exchange difficulties, the imports of edible oils were curtailed to about 1.07 lakh tonnes valued at Rs. 110.75 crore during the oil year 1991-92 as against the imports of 1.08 lakh tonnes valued at Rs. 79.32 crore in 1990-91. There were no imports of edible oils during April 1992 to September 1992. However,imports were resumed from October 1992 onwards through State Trading Corporation of India (Table III-17). In addition, the Government of India permitted some State Governments to import edible oils directly against exports of certain specified commodities.Under this scheme, the State Governments imported 80,000 tonnes of edible oils.

Table III-17 : Imports of Edible Oils

Year	Quantity (Lakh Tonnes)	Value (Rs.Crore)
1	2	3
Oil Year (November-October).		
1984-85	13.68	1122.13
1985-86	11.79	488.95
1986-87	14.97	667.67
1987-88	18.19	1060.95
1988-89	3.73	245.71
1989-90	6.07	328.32
1990-91	1.08	79.32
1991-92	1.07	110.75
Financial Year (April-March)		
1984-85	15.85	1309.48
1985-86	10.80	768.78
1986-87	13.07	526.48
1987-88	19.67	947.77
1988-89	11.66	768.52
1989-90	2.95	162.47
1990-91	5.40	305.63
1991-92	1.07	103.51

Source : Ministry of Food and Civil Supplies, Government of India.

Allocation of Imported Edible Oils under PDS

In order to ensure proper distribution of edible oils among consumers and also to contain the rising trend in the prices of edible oils in the market, the imported edible oils are allocated to States/Union Territories for supply through PDS. Earlier, States/ Union Territories were being allocated RBD palmolein, RBD palm Oil, Refined Rapeseed Oil, Refined Soyabean Oil for the PDS according to the consumer preferences. However, for the last two years, only palmolein is being imported and distributed through the PDS. With a view to preventing adulteration, leakage and wastage, maximum quantities to the extent possible, were supplied in small packs of 1 Kg. and 2 Kgs. through Hindustan Vegetable Oils Corporation Ltd. (HVOC). In addition, edible oils were supplied in bulk/15 Kgs. tins through fair price shops under the PDS. Some State Government undertakings and State Co-operative Oilseeds Growers' Federation in the States of Andhra Pradesh Gujarat, Orissa,Karnataka and Tamil Nadu were also permitted to market the products in 1 kg. and 2 kgs. packs. The month-wise allocation of imported edible oils to States and Union Territories under the PDS for last three years are presented in Table III-18.

Production Strategy and Measures - Integrated Policy for Oilseeds

Technology Mission on Oilseeds

With a view to achieving self-reliance in oilseeds production and reducing the imports of edible oils, the Technology Mission on Oilseeds (TMO) was launched in May 1986. An integrated policy for achieving self-reliance in oilseeds/edible oils developed by TMO was approved by the Government of India in January 1989. The main features of the policy are to provide incentives to oilseed growers, to protect the interests of the farmers and consumers and oilseed processing industry. The TMO adopted four pronged development strategy, viz., (a) improvement of oilseed crop technology for higher yield, (b) improved processing and post harvest technology, (c) strengthening the services to the farmers particularly to supply technology, seeds, fertilisers, pesticides, irrigation, credit, etc. and (d) improving institutions for post harvest services including price support to farmers and financial and other support to processing industry. Subsidy was given for conversion of hullers to shellers and for installation of small stabilisers. A subsidy was also given for installation of large size rice - bran stabil-

Table III-18 : Allocation of imported Edible Oils

(In tonnes)

States/Union Territories for PDS			
Month	1989-90	1990-91	1991-92
1	2	3	4
July	28785	70000	1060
	(7980)	(26450)	(100)
August	34885	90000	450
	(15680)	(29940)	—
September	37665	92000	75
	(16080)	(18890)	
October	38250	99890	22175
	(14000)	(24913)	(6500)
November	42870	58180	22175
	(12050)	(18850)	(6000)
December	26000	Nil	1350
	(10260)		
January	27000	Nil	21800
	(10876)		
February	28490	30750	20225
	(13490)	(9970)	(500)
March	35200	34150	3750
	(12600)	(15603)	(1000)
April	40000	1225	26350
	(12100)		(7150)
May	50500	1200	500
	(14650)		
June	61100	4940	300
	(27100)	(3455)	
Total	450745	482335	120210
	(166866)	(148071)	(21250)

Note : Figure in brackets indicate supply in small packs.
Source : Ministry of food and Civil Supplies, Government of India.

isers. The scheme is under implementation in the States of Madhya Pradesh, Andhra Pradesh, Bihar, Karnataka and West Bengal.

Oilseeds Production Programme

As a part of the oilseed development strategy, the Oilseed Production Programme (OPP) was introduced from July 1990 by the Department of Agriculture and Co-operation and pursued with vigour during 1991-92. Under OPP, 321 districts in 19 States were covered during 1991-92 as compared to 288 districts in 1990-91. The following strategy was adopted under the OPP.

1) Increasing production by making available the quality seeds particularly of groundnut and soyabean,

2) Distribution of seed minikits, plant protection chemicals and sprinkler irrigation sets, and

3) Demonstration of improved technology in farmer's field.

The total outlay under OPP during 1991-92 was Rs.77.47 crore on 75:25 basis between Central and State Governments for basic key inputs for development of oilseeds. Efforts were made for popularisation of rhizobium culture in oilseeds production. Soyabean was popularised in non-traditional areas of Karnataka, Andhra Pradesh, Tamil Nadu, Punjab and Haryana. In addition, the Indian Council of Agricultural Research (ICAR) was sanctioned Rs. 625.60 lakhs for improving production of breeder seeds. The National Bank for Agriculture and Rural Development (NABARD) has opened a special line of credit to co-operative banks and Regional Rural Banks (RRB) in OPP districts. During 1991-92, 136 Central Co-operative Banks (CCB) in 12 States have been sanctioned enhanced credit limits amounting to Rs.289.48 crore and 19 RRBs in 3 States have been sanctioned credit limits, amounting to Rs.29.33 crore.

National Dairy Development Board (NDDB)-Oilseeds Project

National Dairy Development Board (NDDB) was commissioned in April 1989 to operate as market intervention agency in oilseeds and edible oils for stabilising consumer prices by buying and selling oils for a period of five years. NDDB adopted a strategy for procurement of oilseeds and oils for building up a buffer stock so as to ensure an incentive price to the farmers and also moderate prices to the consumers in the lean season. The NDDB has been implementing the project "Restructuring Edible Oils and Oilseeds Production, Processing and Marketing" making use of donated edible oils from USAID and Canadian International Development Agency (CIDA).The project is being implemented in nine States, viz.,Gujarat, Maharashtra, Madhya Pradesh,Karnataka, Tamil Nadu, Andhra Pradesh, Orissa, Rajasthan and Uttar Pradesh. The project involves setting up of processing and marketing infrastructures in co-operative sector, formation and strengthening of oilseeds co-operatives in a three tier structure and production enhancement activities. Under the project, 4,572 oilseed growers co-

operative societies with 7,32,975 members have been organised as at end-October 1991.NDDB is planning for creation of National Oil Grid linking product centres with consumer centres in order to remove regional imbalances in demand and supply. The formation of National Oil Grid involves three major elements :

1) Creation of storage capacity at strategic locations;

2) Establishing a national network of packing stations; and

3) Developing an economical transport system to move oilseeds and oils from surplus to deficit zones.

The NDDB and National Co-operative Development Corporation (NCDC) have created storage capacity for oilseeds (80.49 lakh tonnes) and edible oils (3.24 lakh tonnes) upto end - December 1991. Processing capacity totalling 24.15 lakh tonnes has also been built by these two organisations. Under its Market Intervention Operations, NDDB sold 73,620 tonnes of "Dhara" brand edible oil through its retail marketing outlets during 1990-91. The sale of Dhara during April 1991 to December 1991 was around 82,255 tonnes. The increased availability of "Dhara" brand of edible oil through NDDB's retail marketing was intended to give relief to consumers.In addition, the NDDB has started marketing "Lok Dhara",a new brand of blended oils.

National Oilseeds and Vegetable Oils Development Board (NOVOD)

The National Oilseeds and Vegetable Oils Development (NOVOD) Board is implementing a number of schemes on a smaller scale mainly outside the Oilseeds Production Programme (OPP) areas.The Board's basic objective is to achieve integrated development of oilseeds and vegetable oil industry coupled with comprehensive functions covering all aspects of production, processing, marketing, procurement, storage, maintenance of buffer stocks and demonstrating crop production. Some of the schemes being implemented by the Board during 1991-92 are :

1) Diversification of rainfed/low irrigated wheat with rapeseed/mustard in 16 project districts of 5 States;

2) Promotion of safflower and sunflower cultivation;

3) Popularisation of *rabi*/ summer groundnut cultivation;

4) Oilseed based cropping system for rapseed/ mustard and sunflower production in riverine areas and river beds of Ganga and Yamuna in U.P.;

5) Promotion of *toria* cultivation as contingency measures for *Kharif* drought in Uttar Pradesh; and

6) Construction of seed storage with seed processing machines and construction of preservation sheds for sale of coconut seedlings in Tamil Nadu.

Coconut

Coconut is an important source of vegetable oil. India is the third largest producer of coconut in the world, the first two being the Philippines and Indonesia. Kerala, Tamil Nadu, Karnataka and Andhra Pradesh are the major coconut producing States and together account for 90 per cent of the coconut production in the country, with Kerala alone accounting for as much as 45 per cent share. During the year, coconut production was estimated at 9,700 million nuts and is cultivated on an area of about 14.72 lakh hectares. The Coconut Development Board was set up in 1981 to promote integrated development of coconut industry in the country. The schemes for the development of coconut production by the Coconut Development Board include production and productivity enhancement programmes with special emphasis on pest affected areas and also activities like area expansion, production and distribution of planting material, assistance for irrigation facilities, pest control, planting of seedlings on canal embankments in Karnataka and Orissa and on Khas Lands in Tripura. During 1990-91 an expenditure of Rs. 2.5 crore was incurred by the Board for promotion of coconut cultivation.

During 1991-92, an outlay of Rs.5.14 crore has been provided for development of coconut. Subsi-

Table III-19 : Progress of National Dairy Development Project for Restructuring Edible Oilseed / Oils Production and Marketing

(Year ended March)

States	No. of Oilseeds Growers Co-operativeSocieties at the village level		No.of villages covered		No. of farmers members		Members Oilseeds area (in hectare)		Procurement of seed by NDDB(in tonnes)	
	1990-91	1991-92	1990-91	1991-92	1990-91	1991-92	1990-91	1991-92	1990-91	1991-92
1	2	3	4	5	6	7	8	9	10	11
Gujarat	1,385	1,483	3,088	3,581	1,78,536	2,11,611	4,96,098	5,57,146	1,81,159	1,28,695
Maharashtra	248	266	1,946	2,161	71,862	88,042	1,26,845	1,43,606	12,984	34,548
Madhya Pradesh	1,091	1,736	9,692	14,613	1,07,595	2,06,426	4,23,539	5,47,742	1,68,162	3,55,508
Andhra Pradesh	529	554	1,894	1,836	72,141	75,789	1,58,189	1,90,795	39,827	13,133
Karnataka	262	306	2,093	2,491	89,373	1,10,226	2,23,831	3,00,404	40,355	32,837
Tamil Nadu	335	335	1,492	1,492	76,753	85,439	1,26,414	1,36,695	40,678	25,795
Orissa	257	264	2,102	2,168	32,398	34,647	31,685	33,522	7,413	24,030
Rajasthan	13	40	58	165	1,844	4,792	1,000	10,798	N.A	16,360
Uttar Pradesh	-	33	-	242	-	3,591	-	3,485	-	-
Total	4,120	5,017	22,365	28,749	6,30,502	8,20,563	15,87,328	19,24,193	4,90,578	6,30,905

N.A. : Not available.

Source : National Dairy Development Board.

dies are provided for area expansion, integrated farming and irrigation with the help of pumpsets. Subsidy is also made available for plant protection in addition to subsidy on seedlings for re-planting.The production and distribution of hybrid seedlings at the demonstration-cum-seed production farm established earlier,is also being taken up.

Consequent upon the declaration of coconut as an oilseed in October 1990,several schemes are under consideration of the Government to confer benefits in the form of subsidy, subsidised material and equipment to coconut growers of Kerala along with other schemes. With a view to achieving higher productivity, the Government of Kerala has submitted a project involving a cost of Rs.75 crore for funding by the Government of India as a major contributor. The project is productivity oriented with emphasis on eradication of disease and includes supply of minikits,irrigation, education and training,etc.

The Coconut Development Board has also submitted a proposal for consideration of the Government to be funded by Technology Mission on Oilseeds and Pulses (TEMOP) as an integral part of edible oil strategy.The proposed outlay is Rs. 137.43 crore of which TEMOP's assistance has been sought to the tune of Rs. 46.55 crore and the balance of Rs. 90.88 crore is to be raised as institutional credit. The major programmes include irrigation, fertilizers, plant protection measures, market intelligence and technology improvement in development of coconut in Kerala. The projects are under consideration.

Oil Palm

Oil palm is the richest source of vegetable oil compared to other traditional oilseeds crops and its yield per hectare is seven to eight times more than that of other conventional oilseeds. The Expert Committee constituted by the Government of India in 1986 identified about 5.75 lakh hectares as suitable for oil palm cultivation in nine States, namely, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Assam, Maharashtra, Orissa, Tripura and West Bengal. The Indian Council of Agricultural Research has also identified Gujarat and Goa as having potential for oil palm cultivation. The Government of Gujarat is planning to take up 24 oil plam demonstration plots of one hectare each in identified areas.

The Agriculture Ministry estimates to expand the oil palm cultivation to about 70,000 hectares in the next couple of years. The crop is already popular in Kerala, Orissa and Andamans. At present, commercial cultivation and processing of palm oil are being undertaken in Kerala by Oil Palm India Ltd. and in Andaman and Nicobar Islands by the Forest and Plantation Development Corporation Ltd. The total area planted by these agencies is 5298 hectares and it is understood that Indian palm oil will be marketed soon though on a very modest scale.Being a fairly new edible oil crop in the country and given its consumer preference potential, Department of Bio-Technology in close co-ordination with State Governments of Andhra Pradesh, Karnataka and Maharashtra have launched the Oil Palm Demonstration.

The Technology Mission on Oilseeds has been declared as the nodal agency for the development of oil palm. The Technology Mission on oilseeds has drawn up a comprehensive plan for development of oil palm to over 80,000 hectares during the Eighth Five Year Plan period. The schemes under implementation during 1991-92 and the share of Government of India is as follows: (a) Nursery/pre-project activity in Bhadra Command area in Karnataka with Rs 76.76 lakhs, (b) Nursery/pre-project activity in Cauvery basin area in Karnataka with Rs. 76.76 lakhs, (c) Establishment of oil palm seed gardens in Rajamundri in Andhra Pradesh with Rs 5.56 lakhs and (d) Establishment of oil palm seed garden at M.C.Halli in Karnataka with Rs. 7.24 lakhs.

Sugarcane

The Ministry of Agriculture have placed sugarcane production estimate for 1991-92 at a new high of 249.3 million tonnes compared to 241.1 million tonnes last year. The production during 1991-92 also surpassed the target of 230.0 million tonnes.

The favourable weather conditions, price incentives, increase in productivity of sugarcane and developmental measures such as a) production and distribution of quality seed cane, b) better water management,c) judicious and timely use of fertiliser

application, d) better management of ratoons, e) larger coverage under plant protection and training of sugarcane development personnel, f) transfer of technology through various extension services and g) greater and effective participation of sugar factories in cane development have contributed to this achievement.

The sugarcane target for 1992-93 has been fixed at 243.0 million tonnes. The Statutory Minimum Price (SMP) of sugarcane payable by sugar factories for 1991-92 was fixed at Rs.26 per quintal linked to a recovery of 8.5 per cent with proportionate premium of 30.588 paise per quintal for every 0.1 per cent increase above 8.5 per cent. The SMP for 1990-91 was Rs. 23 per quintal. In practice, the cane growers generally receive much higher prices than the SMP in view of the additional price incentives given by State Governments. The Government of India has announced the SMP for 1992-93 season at Rs. 27 per quintal linked to a recovery of 8.5 per cent.

The Sugar Development Fund (SDF) was established in 1982, for providing financial assistance to sugar factories for undertaking rehabilitation and modernisation programmes and also for initiating any scheme for development of sugarcane in the factory zone area to improve cane availability to them. The SDF also provides assistance for research aimed at development of sugar industry. A cess is being imposed on sugar produced in the country since 1982 under Sugar Cess Act, 1982 and the amounts collected as cess were credited to SDF. Since 1982 upto March 31, 1991 an amount of Rs.901 crore has been credited to SDF and an amount of Rs. 317.53 crore to 280 sugar mills has been sanctioned for sugarcane development and another sum of Rs. 270.63 crore to 103 sugar mills has been sanctioned for modernisation / rehabilitation. Further, a sum of Rs. 30.10 crore as grants-in-aid for research and development was also provided. In addition, maintenance of buffer stock of five lakh tonnes was also financed from the Fund .

Tea

Tea production in the country touched an all-time high of 741.7 million kgs. during the calendar year 1991 which was not only higher by 27.0 million kgs. or by 3.8 per cent than the production of 714.7 million kgs. in 1990, but also exceeded the target of 735 million kgs. set for the year 1991. During 1991 tea production in South India at 185.0 million kgs. was higher by 14.5 million kgs. than that of 170.5 million kgs.in the previous year. Tea output in North India at 556.7 million kgs. in 1991 was also higher by 12.5 million kgs. as compared to 544.2 million kgs. in 1990. The tea production in Assam valley remained the highest in India and constituted 46.7 per cent of the total production during 1991.The target for tea production for 1992 has been fixed at 750 million kgs. However due to poor and uneven rainfall in 1991 and on the basis of actual tea harvest during the first half of 1992,it is feared that the tea output for the year 1992 may not touch the target level. The all - India output of tea at 237.1 million kgs. during January - June 1992 was lower by 26.2 million kgs. as compared to 263.3 million kgs. during the corresponding period of the previous year. Tea production both in North India and South India declined by 8.1 and 18.1 million kgs. during January - June 1992.

Tea exports during 1991-92 (April 1991-March 1992) aggregated to 210.4 million kgs. valued at Rs. 1157.14 crore as against 199.2 million kgs. valued at Rs. 1,071.10 crore in the previous year. The unit value realisation at Rs 55.00 per kg. in 1991-92 was higher as compared to Rs. 53.78 per kg. in 1990-91. Tea exports to Rupee Payment Areas at 115.17 million kgs. (valued at Rs. 591.35 crore) in 1991-92 were lower than 122.57 million kgs. (valued at Rs. 640.99 crore) in 1990-91. The break-up of the erstwhile USSR affected tea exports to this area. The exports to General Currency Area, however, moved up from 76.60 million kgs. (valued at Rs. 430.11 crore) in 1990-91 to 95.22 million kgs. (valued at Rs. 565.79 crore) in 1991-92. Consequently,the unit price realisation at Rs. 59.42 per kg. in 1991-92 was also higher as compared to Rs 53.78 per kg. in 1990-91.

Coffee

Coffee an important commercial crop of the country, is mainly grown in the three southern States of Karnataka, Kerala and Tamil Nadu. In addition, Andhra Pradesh, Orissa and all the north-eastern States have also taken up coffee cultivation in recent

years. The area under coffee was 244.2 thousand hectares more or less equally shared by Arabica and Robusta varieties in 1989-90, the latest year for which data are available.

The estimated production of coffee during 1991-92 (October-September) at 210 thousand tonnes comprising 110 thousand tonnes of Arabica and 100 thousand tonnes of Robusta was higher by 23.5 per cent as against 170 thousand tonnes (80.5 thousnad tonnes of Arabica and 89.5 thousand tonnes of Robusta) during 1990-91. The production target for 1992-93 is 150 thousand tonnes. Under the Coffee Act, all coffee produced is pooled and held with the Coffee Board for sale and disposal. The domestic demand for coffee on calendar year basis at 49.2 thousand tonnes was lower as compared to 54.2 thousand tonnes in 1990 and 63.3 thousand tonnes in 1989. The exports of Coffee increased from 100 thousand tonnes valued at Rs. 279 crore in 1990-91 (fiscal year) to 111 thousand tonnes valued at Rs. 347 crore in 1991-92. The unit value realisation in 1991-92 at Rs. 31.28 per kg was higher as compared to Rs. 27.86 per kg in 1990-91. The Coffee Board in consultation with the Ministry of Commerce has set a target for export of 120 thousand tonnes each year from 1991-92 onwards to ensure uniform quantity flow into the export market so as to promote India as a reliable and credible supplier of coffee. The Coffee Board has entered into a contract with Russia for supply of 20 thousand tonnes of green coffee for the year 1992. While there is no export duty on export of coffee, the cess on exports of coffee continues to be Rs. 250 per tonne. The 57th session of the International Coffee Council was held at London from 23rd to 27th September 1991 and it was resolved that the International Coffee Agreement 1983, shall be further extended by one more year from October 1, 1992 to September 30, 1993. It was also resolved that the council will decide on the negotiations to complete a New Coffee Agreement by end- December 1992.

The Coffee Board continued to assist coffee production by providing loan and subsidies to growers. During the financial year 1991-92 the Coffee Board provided a sum of Rs. 346.40 lakh (provisional) towards loans and Rs. 105.57 lakh (provisional) towards subsidies as against the budget outlay of Rs. 500 lakh for loans and Rs 105.89 lakh for subsidies. During the current financial year 1992-93, a provision of Rs. 450 lakh for loans and Rs. 100 lakh for subsidies has been approved by the Government against which a sum of Rs. 84.65 lakh towards loans and Rs. 3.69 lakh towards subsidies have been disbursed during April and May 1992. Besides running Research Stations, the Board organised demonstration farms, training of personnel, pest control measures and supply of coffee machinery to planters, they also propose to start a plantation management institute.

The present strategy is not to encourage expan sion of coffee in both the traditional and non-traditional areas. The stress is on consolidation of area planted earlier and increase in productivity by replanting, intensive cultivation, irrigation and development of water resources in plantations.

Tobacco

Tobacco is an important cash crop of the country. India ranks third in the world in tobacco production after USA and China whereas in area coverage, it is second to China. Tobacco can broadly be classified into two groups viz., Virginia and Non-Virginia. Non-Virginia tobacco is used in the manufacture of bidis, cigar, cheroots and hookah, chewing and snuff purposes. Virginia tobacco (VFC) is used for manufacture of cigarettes. The data on area and production of tobacco for 1991-92 are not yet available. The Directorate of Tobacco Development anticipates the production of tobacco somewhat lower during 1991-92 than the production of 558.4 million kgs. in 1990-91.According to the Tobacco Board, the production of VFC tobacco during 1991-92 was estimated at 26.4 million kgs. in Karnataka and about 128 million kgs. in Andhra Pradesh as against, 10.1 million kgs. and 101.8 million kgs. in the respective States in the previous year. The higher production of VFC tobacco this season could be attributed to favourable weather conditions, good rainfall and over planting by the growers in anticipation of better prices (Table III-20).

According to the all-India final estimates released by the Government of India, the production of tobacco during 1990-91 at 558.4 million kgs. had been marginally higher as compared to 551.6 mil-

Table III-20 : Area and Production of Tobacco in Important States

(Area in 000'hectares)
(Production in Million Kgs)

States	1987-88		1988-89		1989-90		1990-91	
	Area	Production	Area	Production	Area	Production	Area	Production
1	2	3	4	5	6	7	8	9
Andhra Pradesh	107.4	104.9	150.5	185.6	163.5	203.1	166.7	190.5
	(63.3)	(50.4)	(90.7)	(95.6)	(90.7)	(98.8)	(98.5)	(101.8)
Gujarat	81.5	121.8	90.1	151.0	112.6	182.9	109.6	192.9
Karnataka	43.5	33.4	51.2	41.2	50.5	34.5	46.1	31.0
	(16.0)	(5.1)	(14.8)	(8.2)	(18.1)	(9.4)	(19.1)	(10.1)
Tamilnadu	9.0	12.5	5.8	7.3	7.3	9.2	9.4	11.9
Uttar Pradesh	12.8	38.3	14.0	48.0	15.8	64.2	15.5	78.8
West Bengal	14.1	15.2	17.9	19.9	12.8	13.8	12.7	12.8
	(1.3)	(1.2)	(0.8)	(0.8)	(1.1)	(1.2)	(1.0)	(1.1)
Others	49.7	41.3	47.5	39.8	50.6	43.9	50.3	40.5
Total	**318.0**	**367.4**	**377.0**	**492.8**	**413.1**	**551.6**	**410.3**	**558.4**
	(80.6)	**(56.7)**	**(106.3)**	**(104.6)**	**(109.9)**	**(109.4)**	**(118.7)**	**(113.0)**

Note : Figures in bracket relate to Virginia Tobacco.
Source : Directorate of Economics and Statistics, Ministry of Agriculture, Government of India.

lion kgs. in the previous year. The area under tobacco cultivation during 1990-91 estimated at 410.3 thousand hectares was, however, slightly lower as compared to the estimated area of 413.1 thousand hectares during 1989-90.

Major increases in tobacco production were noticed in States of Gujarat, Uttar Pradesh, Maharashtra and Tamil Nadu. The Tobacco Board, which has been hitherto confining its activities to Virginia tobacco, has now decided to extend its activities to Non-Virginia tobacco also. Among the non-virginia tobacco, bidi tobacco is the single largest variety produced in the States of Gujarat, Karnataka and Maharashtra. The minimum support prices for various grades of VFC tobacco are notified every year by the Government of India on the recommendation of (CACP). The minimum support price for the two basic grades viz., F-2 and L-21 grades of VFC tobacco for 1991-92 have been fixed at Rs. 14.75 and Rs. 16.00 per kg. as against Rs. 13.25 and Rs. 14.25 per kg., respectively, for the previous year. On the basis of the minimum support prices notified for the above selected basic grades, minimum support prices for all other grades are fixed by the Tobacco Board, taking into account normal market price differentials between the grades and announced well in advance of the season. The actual prices realised by the growers during the past two years were well above the support prices. Since the 1988-89 season the Tobacco Board has introduced the concept of Minimum Guaranteed Prices (MGP) under which the traders will indicate before plantation the minimum prices at which they will be willing to pay to the growers for the tobacco in the ensuing auctions. The MGP are more than the minimum support prices and remunerative to the growers. The MGP are applicable for the normal crop. However, this does not have any statutory back up. The entire production of Virginia tobacco is sold by auction in the auction platforms established by the Tobacco Board in different tobacco growing areas in Andhra Pradesh and Karnataka. Out of estimated 128 million kgs. of VFC tobacco in Andhra Pradesh during 1991-92, about 80 million kgs. have been sold in auctions at an average price of Rs. 30.17 per kg. which was slightly less than the overall average price of Rs. 33 per kg. realised last year. In Karnataka, 26.4 million kgs of VFC tobacco was sold in auctions during 1991-92 at an average price of Rs.42.13 per kg. as against Rs. 26.44 per kg. realised last season. The maximum price realised this season was Rs.62 per Kg. This was Rs. 13.60 per kg. more than the price of Rs. 48.40 per kg. recorded last year. In general the prices realised in

1991-92 season were unprecedentedly higher than those realised in the past.

The escalation in the price of tobacco could be attributed to (1) foreign buyers who gave their requirements in advance due to global shortage of tobacco during 1991, (2) the devaluation of the rupee which made the Indian tobacco highly competitive in the international market.

With a view to increasing the productivity and quality of all types of tobacco and to reduce the cost of cultivation, the measures being taken by the Central Government for tobacco development are at present limited to technical guidance to State Governments and farmers. The Government arranges to provide adequate and timely supply of various inputs viz., pure seeds and seedlings, coal, fertilisers,etc. to the farmers to improve the yield and quality of tobacco. The Directorate of Tobacco Development undertakes schemes for production and distribution of pure seed and seedlings for imparting training to the growers in Andhra Pradesh, Gujarat and Karnataka with 100 per cent central assistance.

In addition, a special study on cost of cultivation of VFC tobacco in Andhra Pradesh is also in operation through the Directorate of Tobacco Development, Madras.

Exports of Tobacco

According to the Tobacco Board, the exports of unmanufactured tobacco from India during 1991-92 (April-March) amounted to 71.8 million kgs. valued at Rs. 342.69 crore as compared to 70.4 million kgs. valued at Rs. 209.16 crore during the previous year. The substantial increase of 64 per cent in value terms of exports compared to mere two per cent increase in terms of quantity was mainly due to higher unit value realisation. The main countries which purchased more tobacco this year were the United Kingdom, Belgium, France, Germany, Netherlands, Czechoslovakia, Poland in Europe and Djibouti and Libya in Africa

The USSR, the major market for Indian tobacco, has placed an order for 15 million kgs. of raw tobacco out of its plan to buy 25 million kgs. of raw tobacco this year.

In case of manufactured tobacco, the exports during 1991 - 92 (April 1991 - February 1992) declined to 11.4 million kgs. from 13.3 million kgs. in the previous year. In terms of value also, exports declined to Rs. 37.81 crore from Rs. 54.53 crore. The exports of manufactured tobacco was lowered due to reduced exports of *bidis*, chewing tobacco and cigarettes.

Production Strategy and Related Development

A number of thrust programmes implemented under the Seventh Plan with the objective of increasing agricultural production in the country continued to be implemented during 1991-92. The programmes implemented were as under:

i) Integrated Programme for Rice Development (IPRD)

ii) Special Foodgrains Production Programme-Wheat (SFPP-Wheat)

iii) Special Foodgrains Production Programme-Maize and Millets.

iv) Shallow Tubewells and Dug-Wells in SFPP Districts

v) Intensive Cotton Development Programme (ICDP)

vi) Special Jute Development Programme (SJDP)

vii) Minikit Programme of Rice, Wheat, Maize and Millets including propagation of new technology.

Other Development Programmes

High Yielding Varieties Programme

During 1991-92, expansion of area under location specific high yielding varieties continued to be one of the main planks of the strategy for increasing foodgrains production in the country. The area under the HYVP of major foodgrains viz., Paddy, Wheat,Jowar, Bajra and Maize during 1991-92 was 65.19 million hectares as against 63.00 million hectares in the previous year recording an increase of 3.5 per cent. The target for coverage under HYVP of Paddy, Wheat, Jowar, Bajra and Maize were 69

Table III-21: Trends in Production, Exports, Consumption etc, of Non-Foodgrain Commodities

Year	Oildseeds (Million tonnes)		Tea (Million Kgs)		Coffee (000 tonnes)			Sugarcane (Million tonns)		Tobacco (Million Kgs)	
	Production (Nov-Oct)	Yield per hectare (Kgs)	Production (Jan-Dec.)	Export (April-March.)	Production (Oct-Sep.)	Export (April-March)	Internal Consumption (Jan-Dec.)	Production (Nov-Oct.)	Yield Per hectare (tonne)	Production	Exports (April-(March)
1	2	3	4	5	6	7	8	9	10	11	12
1984-85	12.9	684	639.9	217.4	195.1	68.9	53.5	170.3	57.7	486	74.7
1985-86	10.8	570	656.2	214.2	122.4	99.3	54.9	170.7	60.0	441	64.4
1986-87	11.3	605	624.6	197.4	192.2	86.7	54.4	186.1	60.4	462	66.8
1987-88	12.7	629	674.3	207.6	123.0	92.5	58.6	196.7	60.0	367	48.1
1988-89	18.0	824	701.1	208.8	215.0	98.2	55.6	203.0	61.0	493	39.9
1989-90	16.9	742	684.1	211.8	120.0	134.1	63.3	225.6	65.6	552	58.2
1990-91	18.6	771	714.7	199.2	170.0	100.0	54.2	241.1	65.5	558	70.4
1991-92	18.3	719	741.7	210.4	210.0	111.0	49.2	249.3	66.8	N.A	71.8

N. A. : Not Available

million hectares during 1991-92. The HYV area under paddy registered a decrease of 0.35 million hectares from 27.55 million hectares in 1990-91 to 27.20 million hectares in 1991-92. The area under Wheat, Jowar, Bajra and Maize have shown improvement during 1991- 92 over the previous year (Table - III-22).

The HYVP was supported by the Central Sector Scheme of Minikit Demonstration Programme for popularising newly identified / newly released varieties suitable for different agro-climatic situations, State level training programmes of extension workers to disseminate latest production technology and replacement of rust susceptible wheat varieties in hill areas with rust resistant varieties, etc.

Seeds

In order to increase productivity of agricultural crops and to sustain it, it is necessary to ensure that quality seed is used. The target of production of breeder seeds during 1991-92 has been placed marginally higher at 34,000 quintals as against the production of 33,884 quintals in 1990-91. Breeder seeds, which represent the primary stage of seed production cycle, are further classified into foundation seeds and certified/quality seeds. The target for the production of foundation seeds during 1991-92 has been placed at 4.39 lakh quintals compared with the production of 3.35 lakh quintals in 1990-91. The target for distribution of certified quality seeds had been tentatively fixed at 49.00 lakh quintals for 1991-92 as against the estimated distribution of 57.10 lakh quintals in 1990-91 (Table III-23).

"Transport Subsidy on Seeds", a scheme introduced in 1986-87, subsidises the cost of transportation of seeds by rail and road to the North-Eastern States including Sikkim was continued during 1991-92. In respect of Assam, 50 per cent and in the case of other North-Eastern States full transport cost difference was subsidised for the quantities of seeds moved to these States. There was a budget provision of Rs. 60.00 lakhs for 1991-92 for the above scheme. The beneficiary agencies, namely National Seeds Corporation (NSC) and State Farms Corporation of India (SFCI) are provided funds on the basis of claims submitted by them on the transportation on seeds to the North-Eastern States including Sikkim.

The National Seeds Project Phase-III (NSP-III) was launched in March 1990 with the objective of assisting farmers in timely procurement of certified quality seeds at reasonable prices, improvement of national and State level public sector seed corporations and provide facilities for the growth of private seed industry through institutional finance. The project cost involves Rs. 236.01 crore with the assistance from World Bank of US $ 150 million. In pursuance of the agreement, the World Bank released to the Government of India the first of the three tranches in November 1990.

Fertilizers

Fertilizer is one of the key inputs for raising agricultural production. With the introduction of high yielding varieties and development of irrigation, consumption of fertilizers (nutrients- N+P+K) has been increasing continuously over the years. The fertilizer consumption increased from 55.16 lakh tonnes in 1980- 81 to 125.67 lakh tonnes in 1990-91. During 1991-92, consumption of fertilizers has been anticipated to reach 137.56 lakh tonnes. (Table III-24).

Pesticides

With a view to maximise crop production and protect it from pest attack, major emphasis is being placed on Integrated Pest Management (IPM). This would also minimise over-dependence on chemical pesticides and to avoid harmful effects associated with the use of chemical pesticides.

During 1991-92, Central Integrated Pest Management Centres were set up in 22 States and one Union Territory. The target for consumption of pesticides in 1991-92 is placed at 83,000 tonnes as compared to anticipated consumption of 82,000 tonnes in the previous year.

Irrigation Schemes

Sustained growth of agricultural production cannot be ensured without the creation and development of irrigation facilities as vast areas of the country still depend on monsoons. Increasing irrigation facilities has therefore been a crucial policy

Table III-22 : Crop-wise Coverage of Total Area and Area Under High Yieding Varieties

(Million hectares)

Sr. No.	Crop	1980-81		1984-85		1985-86		1988-89		1989-90		1990-91		1991-92		
		Total cropped area	Area under HYV	Total cropped area	Area under HYV	Total cropped area	Area under HYV	Total cropped area	Area under HYV	Total cropped area	Area under HYV	Total cropped area +	Area under HYV	Total cropped area +	Area under HYV Target	Area under HYV Achieve-ment
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.	Paddy	40.15	18.24	41.16	22.78	41.14	23.37	41.74	25.41	42.17	26.20	42.60	27.55	42.19	30.00	27.20
2.	Wheat	22.28	16.10	23.57	19.08	23.00	19.08	24.11	20.18	23.50	20.30	23.98	21.03	23.71	22.00	21.41
3.	Jowar	15.81	3.50	15.94	5.08	16.10	6.08	14.60	6.11	14.84	6.90	14.50	6.70	13.06	8.00	7.67
4.	Bajra	11.66	3.64	10.62	5.17	10.65	4.99	12.05	5.87	10.90	5.60	10.45	5.14	9.98	6.00	6.06
5.	Maize	6.01	1.60	5.80	2.02	5.80	1.80	5.90	2.54	5.92	2.30	5.95	2.58	6.04	3.00	2.85
Total (1 to 5)		**95.91**	**43.08**	**97.09**	**54.14**	**96.69**	**55.42**	**98.40**	**60.11**	**97.33**	**61.30**	**97.48**	**63.00**	**94.98**	**69.00**	**65.19**

+ Proviisional

Source : Ministry of Agriculture, Government of India

Table III-23 : Trends in Consumption of Selected Agricultural Inputs

Items	Unit	1980-81	1987-88	1988-89	1989-90	1990-91	1991-92 Target
1	2	3	4	5	6	7	8
A. Production/distribution of seeds							
i) Production of breeder seeds	Thousand quintals	5.27	22.61	32.13	30.54	33.88	34.00
ii) Production of certified seeds	Lakh quintals	21.86	53.66	65.06	67.65	-	--
iii) Distribution of certified/quality seeds	Lakh quintals	25.01	56.30	56.80	57.04	57.10	49.00
B. Consumption of Fertiliser							
i) Total (N+P+K)	Lakh tonnes	55.16	87.84	110.40	115.68	125.76(P)	135.00(A
ii) Per hectare	Kilograms	31.83	49.66	63.86*	66.91 *	-	--
C. Consumption of Pesticides (Technical Grade Material)	Thousand tonnes	45.00	49.00	55.00	86.00(A).	82.00*	83.00-

P - Provisional
A - Anticipated
* - Estimated

Source : Ministry of Agriculture, Directorate of Economics & Statiscs, Government of India.

Table III-24 : Consumption of Fertilisers

(Lakh tonnes)

Year (April - March)	Nitrogenous (N)	Phosphatic (P)	Potassic (K)	Total (N+P+K)
1980-81	36.78	12.14	6.24	55.16
1985-86	56.61	20.05	8.08	84.74
1986-87	57.16	20.79	8.50	86.45
1987-88	57.17	21.87	8.80	87.84
1988-89	72.51	27.21	10.68	110.40
1989-90	73.86	30.14	11.68	115.68
1990-91	80.19	32.20	13.28	125.67
1991-92 (Anticipated)	85.79	36.64	15.13	137.56

SOURCE : Economic Survey -1991-92

objective in all the Five Year Plans. The main thrust of the development policy in the irrigation sector is towards achieving the assessed target of 113 million hectares of gross irrigation potential in the country by about 2010 AD. Of this, about 58 million hectares are expected to be irrigated from major and medium projects and the remaining by minor irrigation schemes. The gross irrigated area in the country increased from 22.6 million hectares in 1950-51 to 79.74 million hectares by the end of the Seventh plan. During 1990-91, the anticipated additional potential created was 3.02 million hectares against the target of 2.86 million hectares. For the year 1991-92, the target of additional irrigation potential was 2.99 million hectares. (Table III-25). The massive development of irrigation since the inception of planned programmes has enabled India to increase the food production from around 50 million tonnes in the fifties to over 176 million tonnes in 1990-91.

a) Major and Medium Irrigation

During the Seventh Plan period, against the target for creation of additional potential of 4.3 million hectares, the anticipated achievement was 2.90 million hectares. During 1990-91, the anticipated additional potential was 0.69 million hectares. with an expenditure of Rs. 2,497 crore. During 1991-92, an additional area of 0.64 million hectares was targetted to be brought under irrigation through major and medium irrigation with an outlay of Rs. 3,076 crore. The Central Water

Table III-25 : Development of Irrigation Potential

(Million heateres)

	Item	Ultimate	Created upto VII Plan 1989-90	Tangets for 1990-91	Anticipated additional achievement during 1990-91	Anticipated Cumulative achievement upto 1990-91	Targets for 1991-92
	1	2	3	4	5	6	7
A.	Major and Medium irrigation	58	32.91	0.67	0.69	33.60	0.64
B.	Minor Irrigation	55	46.83	2.19	2.33	49.16	2.35
	a) Surface water	15	46.83	0.33	2.33	49.16	2.35
	b) Ground water	40		1.86			
	Total (A + B)	113	79.74	2.86	3.02	82.76	2.99

Source : Ministry of Water Resources, Government of India.

Commission is monitoring 56 (53 major and 3 modernisation Schemes) selected on-going multi-purpose irrigation projects in order to identify the bottlenecks, suggest remedial measures and to ensure their completion within the scheduled time.

b) Minor irrigation

Minor irrigation includes ground water schemes and surface water schemes having cultivable Command Area upto 2000 hectares individually. Since the minor irrigation schemes have short gestation period and are labour intensive, increasing emphasis is being given for the development of minor irrigation. During 1991-92, three centrally sponsored schemes were in operation.

i) Water and Energy Saving Scheme

This scheme is in operation since 1982-83 under which subsidy is provided to small and marginal farmers for installation of water saving and energy saving devices for irrigation. The amount of subsidy is shared equally by the Centre and the States. The Seventh plan allocation for the scheme was Rs. 10 crore and a central assistance of Rs. 5.88 crore was released to 11 States during the plan period. During 1990-91, central assistance of Rs. 1.94 crore was released to 8 states and a budget provision of Rs. 4.5 crore was made for 1991-92.

ii) Census of Minor Irrigation Scheme

This centrally sponsored scheme, entirely funded by the Centre was introduced in 1986-87 with the purpose of firming up base line data for minor irrigation sector. A total amount of Rs. 3.5 crore was allocated for conducting the census. Under the scheme, 50 per cent of the estimated cost was released to the States/Union Territories in advance and the balance at the various stages of its completion. By the end of 1990-91, Rs. 2.32 crore has been released to the States / Union Territories.

iii) Rationalisation of Minor Irrigation Scheme

This scheme was introduced in 1987-88 to provide 100 per cent assistance to the States / Union Territories for creation of statistical cell in the Nodal Departments identified by the State for compilation of minor irrigation statistics in the State. The amount released under this scheme upto the end of March 1991 was Rs. 0.97 crore and a budget provision of Rs. 0.08 crore was made for 1991-92.

During the Seventh plan period, the target for creation of additional potential under minor irrigation was 8.6 million hectares with an allocation of Rs. 6305 crore. As against this, the anticipated achievement was 9.3 million hectares with an anticipated expenditure of Rs. 6206 crore. During 1990-91, against the target for creation of additional potential of 2.19 million hectares with an outlay of Rs. 1797 crore, the achievement was 2.33 million hectares with expenditure of Rs. 1488 crore. In 1991-92, the target for creation of additonal potential was 2.35 million hectare with an outlay of Rs. 1941 crore (Tables III-25 & III-26).

Table III-26 : Financial Outlay on Major, Medium and Minor Irrigation

(Rs.crores)

Item	During Plan period upto VI Plan (1980-85)	VII Plan (Anticipated Expenditure)	1990-91 Outlay	1990-91 Expenditure	1991-92 (Outlay)
1	2	3	4	5	6
A. Major and Medium Irrigation	15,059.78	10,933.58	2,653.80	2,496.80	3,075.69
B. Minor Irrigation	8,230.00	6,205.61	1,797.84	1,488.45	1,941.43
i) Government Sector	4,492.00	3,144.61	876.84	812.45	969.43
ii) Institutional Sector	3,738.00	3,061.00	921.00	676.00	972.00
Total (A + B)	23,289.78	17,139.19	4,450.95	3,985.25	5,017.12

Source : Ministry of Water Resources, Government of India.

The total irrigation potential major, medium and minor, likely to have been created by the end of 1990-91 since inception adds up to 82.8 million hectares.

Command Area Development Programme

The centrally sponsored Command Area Development (CAD) programme was launched in 1974-75 with the objective of bridging the gap between the creation and utilisation of irrigation potential and ensuring optimum agricultural production from irrigated land. The activities under the programme include On Farm Development (OFD) works like development of field channels and drains, land levelling, enforcement of proper system of *warabandi* and supply of inputs and services including credit and strenthening of extension services. Apart from these, activities like selection and introduction of suitable cropping pattern, development of ground water to supplement surface irrigation, development and maintenance of the main and intermediate drainage and modernisation maintenance and efficient operation of irrigation systems are also covered under this programme.

At the end of March 1991, there were 156 Command Area Development projects with 206.76 lakh hectares Cultivable Command Area (CCA) spread over 20 States and 2 Union Territories. In 1991-92, 1 project from Bihar and 3 projects from Jammu & Kashmir have been added in the programme. Thus, at present, there are 160 projects under the programme with a total CCA of 208 lakh hectares.

A financial outlay of Rs. 1,671 crore was proposed for the CAD under the Seventh Plan, out of which central sector allocation was Rs. 500 crore. During 1990-91, the total outlay for CAD programme was Rs. 346 crore with Rs. 110 crore as central share. However, the expenditure (provisional) was Rs. 302 crore with the central share of Rs. 94 crore. The targetted outlay for 1991-92 was Rs. 366 crore with central share of Rs. 90 crore (Table -III-27). The 1991-92 target under the CAD for field channels was 9.5 lakh hectares, for land levelling 1.0 lakh hectare, for *warabandi* 8.5 lakh hectare and for field drains 1.9 lakh hectare as against achievements for 1990-91 of 5.5. lakh hectares, 0.4 lakh hectares, 5.8 lakh hectares and 1.5 lakh hectares respectively. (Table III-28).

Agricultural Implements and Machinery

Improved agricultural implements and machinery play an important role in efficient and optimum utilisation of farm power and in helping to derive optimum results from the inputs applied and thus enhance agricultural productivity. Various measures were taken during 1991-92 to popularise and distribute improved hand tools and machinery amongst small and marginal farmers. The sale of tractors, power tillers and combine harvestors during 1991-92 (upto November 1991) were 88,650, 4,483 and 100, respectively as compared to the sale of 1,39,831 tractors, 6,316 power tillers and 363 combine harvestors in 1990-91. Increased emphasis was laid on research and development of matching implements for tractors and also for increasing fuel efficiency in tractors. With a view to providing quality implements and machines, facilities were

Table III-27 : Financial Outlay under Command Area Development Programme

(Rs.Crore)

Sector	VII Plan (1985-86 to 1989-90) (Target)	1986-87 (Actual)	1987-88 (Actual)	1988-89 (Actual)	1989-90 (Provisional)	1990-91 (Provisional)	1991-92 (target)
1	2	3	4	5	6	7	8
Total	1671	286	263	323	313	302	366
of which							
Central Sector	500	94.1	92.4	134.4*	106.17	94.23	90@

* Includes Rs.8.58 crore as assistance under Special Foodgrains Production Programme
@ Budgetary

Source : Ministry of Water Resources, Government of India

Table III-28 : Achievements under Command Area Development Programme

(Lakh hectares)

Items	VII-Plan (1985-86-1980-90) Target	1985-86	1988-89	1989-90	1990-91	1991-92 Target
1	2	3	4	5	6	7
Construction of field channels	68.1	6.8	5.0	6.4	5.5	9.5
Land levelling	18.2	1.0	0.5	0.4	0.4	1.0
Warabaendi	80.4	7.1	7.8	7.5	5.8	8.5
Field Drains	-	-	0.6	1.8	1.5	1.9

Source : Ministry of Water Resources, Government of India. : Not available.

provided to evaluate the performance of agricultural machinery. Training facilities were also provided at different centres to train technicians and farmers in the efficient use of agricultural machinery.

Farmers' Agro Service Centres (FASCs), a centrally sponsored scheme, was continued during the year with a financial allocation of Rs. 470 lakhs for establishment and strengthening of 150 Farmers'Agro Service Centres and popularisation of 12,000 improved agricultural equipments during 1991-92 and a sum of Rs. 232.50 lakh was released to the States upto December 1991. These centres helped in the adoption and popularisation of improved agricultural implements. The Central Farm Machinery Training and Testing Institute, Budni (M.P.), Northern Region Farm Machinery Training and Testing Institute, Hissar (Haryana) and Southern Region Farm Machinery Training and Testing Institute, Anantapur (A.P.) together trained 1,266 trainees upto November 1991 against the target of training 1,550 people during 1991-92.

In the context of rising fuel prices and the need for energy conservation in the operation of agricultural machinery, an Inter-Ministerial Group (IMG) was set up to examine and recommend fuel efficiency norms for agricultural tractors. With the implementation of norms fixed for 1991 on the recommendation of IMG, a saving of 11.7 per cent fuel used on tractors is expected. It was also decided to include lessons on energy conservation in all the existing courses being run at Farm Machinery Training and Testing Institutes.

Agro Industries Corporations

Agro Industries Corporations were established in 17 States during the Third and Fourth Five Year Plans. Subsequently, such Corporations were also

set up in Manipur and Union Territory of Pondicherry. These Corporations have been functioning in the areas of manufacture and distribution of fertilizers, pesticides, improved agricultural implements and installation and servicing of biogas plants, irrigation pumpsets, extraction of edible oils and processing of fruits and vegetables. The turnover of the 17 State Agro Industries Corporations during the year 1990-91 was about Rs. 950 crore. The best and the second best National Productivity Award in the Agro Industries Corporation Sector for 1989-90 were won by Punjab and Maharashtra, respectively.

Agricultural Extension

Agricultural extnsion services help in the transfer of modern technology to the farmers and bridge the gap between actual and achievable production levels in irrigated as well as rainfed areas. The Directorate of Extension and Extension Division of the Department of Agriculture and Co-operation assist and facilitate State Governments in organising, maintaining and operating professional extension services. The Agricultural Extension System known as Training and Visit System (T&V) in its modified form has been introduced in 17 major States with the assistance of the World Bank. Five States namely, Andhra Pradesh, Kerala, Tamil Nadu, West Bengal and Maharashtra have completed their first phase of World Bank Assisted State Agricultural Extension Projects. The remaining 12 States are still being financed under the three World Bank Assisted National Agricultural Extension Projects NAEP-I, NAEP-II, and NAEP-III. The project period of NAEP-I, NAEP-II and NAEP-III has been extended upto March 1992, 1993 and March 1994, respectively.

The Directorate of Extension has been assigned the role of guiding supervising and monitoring the T & V System and fulfilling the conditions assigned to the Government of India by the World Bank under the relevant agreements. The implementation and progress of the projects are being monitored and evaluated through Inter-Disciplinary Teams, Special Studies and National Workshops and Seminars. Supervision of the World Bank assisted projects in the States is largely done through Inter-Disciplinary Teams. Against the target of 20 teams per annum, 12 teams have completed their visit during 1991-92 (upto November 1991). Internal Consultancy provides for exchange of experienced persons between States to conduct special studies of various extension related topics. Against a target of 40 such consultants, 24 consultants have undertaken studies during 1991-92 (upto November 1991). The Directorate of Extension has taken up special studies in several critical areas to bring about policy refinements relating to effective functioning of agricultural extension. National seminars and workshops were organised at different places of the country to discuss policies and programmes on agricultural extension.

The Directorate of Extension is making continuous efforts for creating a professionally trained and competent cadre of Extension Personnel working in State Departments of Agriculture and other line departments. To provide training in extension management, agricultural technology and extension methodology, the training institutions like National Centre for Management of Agricultural Extension, Hyderabad, 12 Advanced Centres of Training and 4 Extension Education Institutes have been developed for catering to the training needs of large number of extension personnel. Other training programmes conducted by the Directorate of Extension included:

(a) training abroad for select personnel; (b) in-service training facilities to acquire higher qualification; (c) revision of training manual; (d) exchange of farmers for first hand knowledge from progressive farming areas; and (e) special programmes for women farmers, etc. Besides, farm information is provided by journals, publications, exhibitions, shows, fairs and films.

Soil Conservation Programme

Productivity of land depends on the health of the land. About 174.97 million hectares (53 per cent) face degradation hazards arising from water, wind erosion and other specific problems out of total geographical area of the country of about 329 million hectares. Therefore, soil and water conservation programmes which were launched in the First Five Year Plan, are being implemented with suitable modification through several Central and State sector schemes. The National Land Use and Wasteland Development Council (NLWC) has been set up. Under this two separate bodies viz., the National

Land Use and Conservation Board (NLCB) and National Wasteland Development Board (NWDB) have been constituted. Similarly, at the State level, State Land Use Boards (SLUBs) have also been set up in most of the States.

Under the centrally sponsored scheme of soil conservation in the catchment area of River Valley Projects (RVPs), 581 watersheds spread over 17 States have been covered. Upto the Seventh Five Year Plan, an area of 23.95 lakh hectares with an expenditure of Rs 307.93 crore has been covered and 330 watersheds have been allocated to the States for achieving a target of 1.29 lakh hectares. Under the integrated Watershed Management in the catchments of flood prone river, 324 watersheds of 8 catchments spread over in 7 States and one Union Territory are covered. During 1990-91, an area of 0.438 lakh hectares were treated involving an expenditure of Rs 15.98 crore. An area of 3.63 lakh hectares with an expenditure of Rs 90.98 crore has been covered upto the end of the Seventh Five Year Plan. During 1991-92, an amount of Rs 26 crore has been allocated to the States to treat an area of 0.70 lakh hectares. Under the Scheme of Reclamation of Alkali Soils in operation in the States of Haryana, Punjab and U.P. on a 50:50 sharing basis between the Centre and the States, an area of 48,000 hectares was proposed to be reclaimed involving an expenditure of Rs 5 crore during 1991-92.

The State and Union Territories continued to plan and implement soil and water conservation programmes on the basis of integrated watershed management plans. The physical and financial progress under the State sector programme is given in the table below:

Physical and Financial progress

Period	Achievement (Lakh hectares)	Expenditure (Rs. crore)
Upto Sixth Five Year plan	270.70	975.17
During Seventh Five Year Plan	37.91	703.19
During 1990-91	5.91	207.27
During 1991-92 (Anticipated)	6.86	248.67
Total	**321.38**	**2,134.21**

Two externally aided projects viz., Indo-Dutch North Bengal Terai Development Project and Indo-FRG Project on Watershed Management continued to be implemented during 1991-92.

Plant Protection Measures

Integrated Pest Management (IPM) approach continued to be the main plant protection strategy in the country both at the Central and State levels. Efforts were made to create awareness among State extension functionaries and farmers for judicious and need-based application of chemical pesticides while encouraging pest resistant varieties and introduction of other cultural, mechanical and bio-control methods for plant protection.

Pest surveillance for monitoring incidence of pests and diseases of major *rabi* and *kharif* crops was maintained in order to forewarn the likelihood of pest incidence. As a result, the likely pests attack on rice, groundnut, sunflower, gram and cotton was forewarned and suitable control measures were adopted. A total sample area of 5.00 lakh hectares has been scanned by November 1991 as against the targetted area of 7.50 lakh hectares for 1991-92. The information thus gathered helped in adopting timely pest control measures. With biological control the natural enemies of pest species were conserved and augmented in order to minimise the use of hazardous pesticides and to reduce environmental pollution. Twenty species of parasites, predators, pathogons and phytophagous insects were mass-multiplied in the laboratories on ten host insects at 11 Central Integrated Pest Management Centres (CIPMC) for large scale field releases. During 1991-92, 980 million parasites, predators and phytophagous insects were releasd in 1.87 lakh hectares cropped area by November 1991 in 11 States against various insect-pests and weeds. Cultures of parasites and predators were supplied to various universities and institutions for biological control of crop pests and weeds. In order to check the entry of exotic pests and diseases through international trade, the plant quarantine regulations were implemented by 26 plant Quarantine and Fumigation Stations in the country located at major international airports, sea ports and land-frontiers. During the year 1991-92 (upto October 1991), a total of 18,42,300 MTs of agricultural commodities and 4,63,000 numbers of plants/plant mate-

rials were undertaken from plant Quarantine angle. A total of 3057 import permits for plants/plant materials meant for consumption and 282 number for seeds/planting materials for sowing/propagation were issued upto October 1991.

As a result of the New Policy on Seed Development (NPSD), which aims at achieving a breakthrough in the production of coarse cereals, pulses, vegetables, fruits and flowers, the import of plants/planting materials has increased tremendously and to cope with this work, efforts are being made to strengthen the Plant Quarantine Facilities by way of providing additional man power and modern sophisticated equipment, etc. A proposal for UNDP assistance of US $ 4.283 million with matching contribution from the Government of India is under active consideration to provide for modernisation of plant Quarantine facilities.

India hosted the 18th session of FAO Commission for South-West Asia for co-ordinating the locust control work in the Eastern Region. The representatives of Iran, Afghanistan, Pakistan, India and FAO attended the session. The Commission emphasised the need for continuous preparedness and vigilance by countries in their areas and over the borders to prevent any locust upsurge. The demand for pesticides for 1991-92 was assessed at around 83,600 tonnes. The overall availability position of pesticides was satisfactory. Under the Centrally Sponsored Scheme for Control of Pests and Diseases of Agricultural Importance, an amount of Rs. 151 lakhs was sanctioned during 1991-92 to the States/UTs. The Central Plant Protection Training Institute, Hyderabad conducted several long and short-term courses on various aspects of plant protection to supplement the States' efforts. The Central Insecticides Laboratory carried out investigation in respect of bioefficacy, quality control, toxity and packaging specifications with a view to ensuring availability of quality pesticides to the farmers.

All India Soil and Land Use Survey (AIS and LUS)

The All India Soil and Land Use Survey (AIS and LUS) was set up in 1958 as a premier national organisation to carry out field surveys and standard soil and land use surveys to assist formulation of various developmental programmes. Besides carrying out soil and land use surveys, it provides data on land/catchment characteristics, soils and profile description, status and process of erosion and degradation, which are of crucial importance to area-specific agricultural planning. The AIS and LUS organisation has got mandate to carry out Priority Delineation Surveys and Detailed Soil Surveys for different River Valley Projects/Flood Prone River catchments in the country. Publication of technical reports, bulletins,manuals, papers etc., and imparting training to State-level officers on various themes related to soil and land use surveys form an important part of the work of the organisation. Preparation of treatment plans are additional activities of the organisation. An area of 5.90 lakh hectares and 44 lakh hectares have been covered under detailed and priority delineation surveys, respectively. Besides, the AIS and LUS has taken up 55 lakh hectares under Remote Sensing Projects under which using remote sensing technology, special soil surveys are conducted and mapping of the water-logged areas are undertaken.

Dryland Farming

It is estimated that about 70 per cent of the total net sown area of 141 million hectares in the country is dependent on monsoon which are often erratic and unpredictable. Furthermore, out of the total rainfed areas, only 32 per cent fall in the high rainfall zone receiving more than 1125 m.m. rainfall. The bulk of the crops like rice, jowar, bajra, other millets, pulses, oilseeds and cotton are grown in rainfed/dryland tracts of the country. The farmers in rainfed areas, particularly the small and marginal farmers are still practising subsistence farming and are subject to low and fluctuating farm production. Considering the vast number of people inhabiting these areas, increasing and stabilising agricultural production has been considered to be of crucial importance which alone will increase the standard of life and employment opportunities for the people of these areas. Accordingly, the Eighth Five Year Plan has accorded high priority to the development of dryland/rainfed farming.

The main focus of development strategy is to minimise risk to the farmers through appropriate land management system to ensure increased retention of soil moisture and through introduction of

suitable crops and cropping system, dryland horticulture and fodder development. Emphasis has been laid on area development approach taking "watershed" as the unit of development. The development measures being undertaken in the micro-watershed include soil and moisture conservation, land shaping, construction of water harvesting structures, adoption of drought resistant seeds and other productivity improving inputs.

In pursuance of these objectives, vigorous efforts were made during the year to operationalise the restructured National Watershed Development Project for Rainfed Areas (NWDPRA). All the community development blocks in the country with less than 30 per cent of their cultivated areas served by assured means of irrigation are eligible for inclusion in the programme. So far the participating States/ Union Territories have identified 2600 blocks and delineated 2193 watersheds. The State Governments have to prepare one model watershed development plan for each of the 127 agro-climatic zones delineated in the country. So far 99 model watershed projects have been prepared and approved by the Government of India for implementation of these projects. All the States and Union Territories have constituted policy and implementation committees at the State and the District levels. Similarly multidisciplinary watersheds have also been constituted for planning and implementation of the programme.

People's participation is an important aspect for project planning, implementation and maintenance of assets created during the project period. Several measures are being initiated to involve farmers' association in the programme. Similarly non- governmental organisations are also being included to promote willing and active participation of the watershed community in the project. A structured training programme for project functionaries at various levels and also farmers is underway in most of the States. A total number of 2707 composite kisan nurseries have been established for producing the planting material for conservation and production of flora suited to local conditions. Thus, the year was devoted to laying a firm foundation for accelerating the activities under NWDPRA.

International co-operation in the areas of watershed management and sustainable agriculture is also being sought. A project was prepared and submitted to the Department of Economic Affairs for onward transmission to UNDP.

The two ongoing World Bank projects viz., the Himalayan Watershed Development Project and the Pilot Project for Watershed Development in Rainfed Areas in the States of Andhra Pradesh, Karnataka, Maharashtra and Madhya Pradesh have been given further extension. Another, Integrated Watershed Development Project (Plains and Hills) is being taken up with the World Bank assistance. Comprehensive Watershed Development Projects aided by DANIDA in Orissa, Tamil Nadu, Karnataka and Madhya Pradesh are under progress. Another project assisted by EEC in Doon valley was processed and finalised. FRG (KFW) assisted projects were in various stages in three States of the country. Thus, the year witnessed considerable interest of multinational/bilateral donor agencies in our national programme for watershed management.

Drought Prone Area Programme and Desert Development Programme

Drought Prone Area Programme (DPAP) and Desert Development Programme (DDP) are mainly meant for the restoration of ecological balance through a harmonious development of land and water resources in arid and semi-arid areas of the country. DPAP aims at achieving drought proofing through harmonious development of land, water and other natural resources. Activities relating to land shaping and moisture retention and conservation of water and its more productive utilisation, fodder, pasture and grass land development, horticulture, etc., are taken up under the programme. The objectives of DDP include halting the march of deserts, mitigating the adverse effects of drought in desert areas, restoration of the ecological balance in affected areas, and raising of productivity of land and water resources in these areas. These objectives are sought to be achievd through afforestation, sand dune stabilisation, shelter belt plantation, grass land development, soil and moisture conservation and water resources development. The expenditure on DPAP is equally shared by the Government of India and the States concerned, whereas DDP is implemented with 100 per cent central financial assistance. The core components of the Programme are soil and land

development, water resources and moisture conservation and development, afforestation and pasture development. At least 75 per cent of the annual allocation are to be earmarked for core activities. The specific weightage to each sector of both the programmes are given below:

Sector	Per cent -allocation	
	DPAP	DDP
1. Land shaping, soil conservation	30	15
2. Water resources development	20	20
3. Afforestation and pasture development	25	40
4. Other activities	15	15
5. Project Administration	10	10

Activities under DPAP have been taken up on a micro-watershed approach in each of the 615 blocks of 91 districts in 13 States covered under the programme. During the year 1991-92, 84.56 thousand hectares of land were treated for soil and moisture conservation, 15.30 thousand hectares were covered under water resources development and 63.13 thousand hectares were covered under afforestation and pasture development (Table III-29).

During 1991-92, Rs. 112 crore has been allocated for DPAP, of which Rs. 48.26 crore has been spent upto November 1991.

Activities under DDP have been taken up in 131 blocks of 21 districts in 5 States. During 1991-92, 8.54 thousand hectares of land was treated for soil and moisture conservation, 7.54 thousand hectares were covered under water resource development and 22.77 thousand hectares were covered under afforestation and pasture (Table III-30). Of Rs. 51 crore allocated for DDP during 1991-92, only Rs. 30.50 crore (provisional) has been spent upto No-

Table III - 29: Achievement under Drought Prone Area Programme

Item	Unit	1988-89	1989-90	1990-91	1991-92 *
1	2	3	4	5	6
1. Area treated under soil moisture conservation	'000 hectares	144.97	117.28	143.03	84.56
2. Water Resources Development	"	38.42	27.58	21.52	15.30
3. Forestry and pasture	"	102.16	87.65	80.00	63.13
4. Number of beneficiaries**	in '000 families	488.94	-	-	-
5. Mandays of employment created**	in lakhs	171.29	-	-	-

* Provisional

** Monitoring discontinued since 1989-90

– Not Available

Source : Ministry of Rural Development, Government of India.

Table III-30 Achievement under Desert Development Programme

Item	Unit	Achievements			1991-92	
		1988-89	1989-90	1990-91	Target	Achievement
1	2	3	4	5	6	7
1. Soil and moisture conservation	'000 hectares	16.16	14.93	12.53	23.72	8.54
2. Foresty and pasture development	"	24.76	17.09	13.83	17.63	22.77
3. Water Resources Development	"	6.22	9.64	6.40	9.94	7.51
4. No. of beneficiaries**						
a) Total	'000 Nos.	4.65	-	-	-	
b) Scheduled Castes	"	1.32	-	-	-	
c) Scheduled Tribes	"	-	-	-	-	
5. Employment generated**	'000 mandays		223.26	-	-	

* Figures are Provisional

** Monitoring discountinued since 1989-90

= Not Available.

Source : Ministry of Rural Development, Government of India

vember 1991. The implementation of the programmes is being thoroughly monitored through regular reports and review meetings.

Jawahar Rozgar Yojana (JRY)

Employment generation has been a major plank of Government strategy in rural areas in recent times for poverty alleviation. The prime cause for rural poverty has been recognised as unemployment/underemployment in rural areas. Several programmes have been launched by the Government to provide gainful employment and at the same time create capital assets in rural areas. In order to launch a frontal attack on this problem, the National Rural Employment Programme (NREP) was launched in October 1980. The objective being to generate additional gainful employment opportunities for unemployed and underemployed persons in rural areas, while simultaneously creating additional productive community assets for improving economic and social infrastructure. Similarly, to improve further and expand employment opportunities for the rural landless and to provide guaranteed employment opportunities for atleast one member of every rural landless household upto 100 days in a year, and at the same time creating durable assets, the Rural Landless Employment Guarantee Programme (RLEGP) was launched on August 15,1983. In the last year of the Seventh Plan i.e., from April 1,1989, NREP and RLEGP were merged into a single rural employment programme known as Jawahar Rozgar Yojana (JRY).

The primary objective of JRY is generation of additional gainful employment for the unemployed and under-employed in rural areas. The secondary objective included creation of sustained employment by strengthening rural economic infrastructure and also creation of assets in favour of the rural poor for their direct and continuing benefits and improvement in the overall quality of life in rural areas. People below the poverty line are the target group under the Jawahar Rozgar Yojana.

A few salient features of JRY are:

i) Expenditure under the programme is shared between the Centre and the States in the ratio of 80:20.

ii) The State Governments are required to release the grants to DRDA/Zilla Parishad within a week after the release of Central assistance along with their own matching share.

iii) 6 per cent of the total resources are earmarked for Indira Awaas Yojana at the national level.

iv) 20 per cent of the total resources are allocated for Million Wells Scheme.

v) Preference is given to SCs/STs and freed bonded labourers for employment.

vi) 30 per cent of employment opportunities are reserved for women.

vii) Resources of two or more district/village panchayats can be pooled to take up works for common benefits of the concerned districts/village panchayats

viii) Works may be taken up for execution any time during the year whenever the need for employment generation is felt. They should preferably be started during the lean agricultural season and may continue during the busy agricultural period too.

ix) In those States which give foodgrains as part of the wages, 1.5 kgs. of foodgrains is given to the workers at subsidised rates.

During 1990-91, 8,732.29 lakh mandays employment were created under JRY against the target of 9,291.04 lakh mandays. During 1991-92, a total of 4,064.14 lakh mandays employment were created as against the target of 8,152.90 lakh mandays upto December 1991. During 1990-91, Rs. 2,103.74 crore was provided under JRY, whereas the actual release to States/Union Territories was Rs. 2,000.95 crore. The total availability including the matching share released by States came to Rs. 3,298.69 crore as against the actual utilisation of Rs. 2,586.48 crore. During 1991-92, the Central allocation for the States/Union Territories other than Chandigarh and Delhi was Rs. 2,097.77 crore. The total availability of resources including State's matching share was Rs. 3,331.48 crore (including unutilised balance of Rs. 710.58 crore by States), as against the actual

Table III-31: Progress of Jawahar Rozgar Yojana Programme

Item	Units	1990-91	1991-92
1	2	3	4
1. No. of mandays employment generated	No. of mandays in lakhs		
a) Target	"	9291.04	8152.90
b) Actual	"	8732.29	4064.14
2. Funds Allocation	Rs.crore		
a) Centre's allocation	"	2103.74	2097.77
b) Actual release	"	2000.95	2097.77
c) State's addition	"	528.23	523.13
d) Unutilised balance	"	769.51	710.58
e) Total availability (b+c+d)	"	3298.69	3331.48
f) Final Utilisation	"	2586.48	1303.34*
g) Percentage of funds utilised	Per cent	78.4	39.12

* Upto December 1991

Source : Ministry of Rural Development ,Government of India.

Table III-32 : Physical assets created under Jawahar Rozgar Yojana during 1990-91 and 1991-92 (preliminary)

Items	1990-91	1991-92
1	2	3
Social Forestry		
1. Area Covered (HECT)	244751.80	16311.21
2. Works benefitting SC/ST (Nos.)	379598	221293
3. Minor Irrigation Flood Protection Works (HECT)	36092.38	2274.58
4. Soil Conservation Works (HECT)	16266.41	7445.11
5. Construction of Village Tanks (Nos.)	10656	2672
6. Land Development (HECT)	12058.27	5386.48
7. Drinking water wells, ponds, etc. (Nos.)	73926	18049
8. Rural Roads (Kms.)	130488.96	32593.47
9. School Building (Nos.)	36594	9378
Items	1990-91	1991-92
4	5	6
10. Development of Houses (Nos.)	12813	4621
11. Construction of Houses(Nos.)	75137	21488
12. Panchayat Ghar (Nos.)	11381	2006
13. Mahila Mandals (Nos.)	1477	319
14. Sanitary Latrines (Nos.)	32304	6177
15. Construction of wells under M.W.S. (Nos.)	56396	110455
16. Construction of Houses under IAY (Nos.)	170805	121546
17. Other works (Nos.)	196773	57108

HECT : Hectares.
MWS : Million Wells Scheme.
IAY : Indira Awaas Yojana

Source : Ministry of Rural Development, Government of India.

utilisation of Rs. 1,303.34 crore (upto December 1991) (Table III-31). The physical assets created under JRY during 1990-91 and 1991-92 are given in Table III-32. The table shows that the assets created during 1991-92 were invariably lower in each of the 17 categories than those in the previous year.

CHAPTER IV

Industrial Performance

Performance of Industrial Sector during 1991-92

Industrial production during the financial year i.e., April-March 1991-92 showed an unprecedented slow down. The average index at 212.4 was lower by 0.1 per cent in the year, in contrast to the rise of 8.2 per cent during 1990-91 (Table IV-1). The poor performance was perceptible in the manufacturing sector output, which declined by 1.6 per cent during 1991-92 as against the growth of 8.9 per cent in the last year. On the other hand, the rate of growth of electricity generation accelerated to 8.5 per cent during 1991-92 as compared with the rise of 7.8 per cent in the previous year. The output of mining and quarrying sector showed a marginal rise of 0.3 per cent during 1991-92 (4.5 per cent rise last year).

Quarter-wise details of movements in the industrial production index in 1991-92 show that it declined by 2.3 per cent during the first quarter (April-June), rose marginally by 0.2 per cent, both in the second and third quarter, and increased significantly by 1.2 per cent in the last quarter. The better performance in the last quarter may be attributed to the manufacturing sector, which after a continuous decline in first three quarters viz., -3.7 per cent (first quarter), -1.2 per cent (second quarter) and -2.4 per cent (third quarter), experienced a turnaround and recorded a rise, ***albeit*** marginal, of 0.4 per cent in the last quarter. Mining and quarrying sector's output, after declining by 3.6 per cent and 1.8 per cent in first and second quarter respectively, recorded a rise of 5.5 per cent and 0.6 per cent during the next two quarters. In the case of electricity generation however, there was a positive growth in all the four quarters of the year.

Data for the 17 sub-groups of the manufacturing sector which has a total weight of 77.11 in the index number of industrial production show that only seven industrial groups with 47.75 per cent of weight recorded positive growth rate in 1991-92 as against 15 industrial groups with 75.40 per cent of weight in the corresponding period of the previous year (Table IV-1A). The relative

Table IV-1 : Trends in Index of Industrial Production * (Base : 1980-81 = 100)

Sector	Weight	April-March					
		1989-90		1990-91		1991-92	
		Index	Contribution to growth	Index	Contribution to growth	Index	Contribution to growth
1	2	3	4	5	6	7	8
Mining and Quarrying	11.46	211.6	9.22	221.2	6.78	221.8	28.17
		(+6.3)		(+4.5)		(+0.3)	
Manufacturing	77.11	190.7	74.96	207.8	81.19	204.4	-1073.96
		(+8.6)		(+8.9)		(-1.6)	
Electricity	11.43	219.7	15.82	236.8	12.03	257.0	945.79
		(+10.9)		(+7.8)		(+8.5)	
General Index (Crude)	100.00	196.4	100.00	212.6	100.00	212.4	-100.00
		(+8.6)		(+8.2)		(-0.1)	

* : Provisional.

Note : Figures in brackets are percentage variations over the previous year.

Source : Central Statistical Organisation (C.S.O.).

Table IV-1A : Growth in Index of Seventeen Major Groups of Manufacturing Sector *

Industry Group	Weight	% Variation			Relative Contribution	
		April-March			April-March	
		1989-90	1990-91	1991-92	1990-91	1991-92
1	2	3	4	5	6	7
I. POSITIVE						
ACCELERATION (During 1991-92)						
1.Beverages, tobacco and tobacco products	1.57	103.0	104.8	119.1	0.2	8.6
		(+11.8)	(+1.7)	(+13.6)		
2. Non-metallic mineral products	3.00	189.9	193.1	205.2	0.7	14.0
		(+2.9)	(+1.7)	(+6.3)		
3. Chemicals and chemical products	12.51	247.6	254.1	261.3	6.2	34.6
		(+6.1)	(+2.6)	(+2.8)		
DECELERATION (During 1991-92)						
4. Basic metal and alloys products	9.80	143.7	158.8	168.0	11.2	34.7
		(-0.8)	(+10.5)	(+5.8)		
5. Food and food products	5.33	150.9	169.8	176.8	7.7	14.3
		(+1.6)	(+12.5)	(+4.1)		
6. Paper and paper products	3.24	181.5	198.0	205.1	4.1	8.8
		(+6.0)	(+9.1)	(+3.6)		
7. Cotton textiles	12.31	112.3	126.6	128.2	13.4	7.6
		(+4.2)	(+12.7)	(+1.3)		
II. NEGATIVE (During 1991-92)						
8. Miscellaneous	0.91	333.2	321.8	269.8	-0.8	-18.2
		(+9.0)	(-3.4)	(-16.2)		
9. Electrical machinery	5.78	459.2	563.6	492.9	45.9	-157.1
		(+31.9)	(+22.7)	(-12.5)		
10. Jute,hemp and mesta textiles	2.00	97.4	101.6	90.6	0.6	-8.5
		(-4.4.)	(+4.3)	(-10.8)		
11 .Metal products	2.29	142.6	143.1	133.1	0.1	-8.8
		(+6.8)	(+0.4)	(-7.0)		
12 .Leather and leather and fur products	0.49	188.3	194.3	181.5	0.2	-2.4
		(+6.1)	(+3.2)	(-6.6)		
13 Wood and wood products	0.45	176.0	197.2	185.0	0.7	-2.1
		(+2.5)	(+12.0)	(-6.2)		
14 .Textile products (including wearing apparel)	0.82	151.7	103.2	97.2	-3.0	-1.9
		(+13.0)	(-32.0)	(-5.8)		
15 .Machinery and machine tools	6.24	171.9	186.9	181.4	7.1	-13.2
		(+6.7)	(+8.7)	(-2.9)		
16. Transport equipment	6.39	181.1	192.5	189.3	5.5	-7.8
		(+5.0)	(+6.3)	(-1.7)		
17. Rubber, plastic and petroleum products	4.00	173.5	174.0	172.3	0.2	-2.6
		(+3.1)	(+0.3)	(-1.0)		
MANUFACTURING	77.11	190.7	207.8	204.4	100.0	-100.0
		(+8.4)	(+9.0)	(-1.6)		

*: Provisional.

Note : Figures in brackets are percentage variations over the previous year.

weighted contribution of different industrial groups in manufacturing sector shows that the decline in the manufacturing output has largely been concentrated in the capital/consumer durable goods industries like electrical machinery which made the highest negative contribution of 157.1 per cent to the total variation in manufacturing output during the period, followed by machinery and machine tools (-13.2 per cent), metal products (-8.8 per cent), transport equipment (-7.8 per cent), etc. The decline in output of these capital/consumer durable goods industries could be attributed to the sharp import compression operated mainly through monetary policy action and the rise in import costs arising from the exchange rate adjustments of the Indian rupee in July 1991. These measures severely curtailed the supply of imported inputs to these industries which are heavily dependent on imports to meet their raw material requirements. Besides, the output of capital goods industries seems to have suffered a setback on account of a steep fall in public expenditure. A substantial demand for capital goods comes from the Government and government enterprises. During 1991-92, public expenditure in real terms declined by 4.8 per cent (a rise of 1.1 per cent last year) and in particular capital expenditure fell by 18 per cent (a fall of 1.2 per cent in 1990-91). Moreover, the break-up of the Soviet Union / Eastern Europe and the consequent disruption of the rupee trade has adversely affected many enterprises which were mainly dependent on exports to these regions. Furthermore, the freeze on consumer credit for purchases of consumer durables seems to have affected consumer durable goods industries.

Industrial output as per the use-based classification data (for 85.5 per cent of the total weight in general index) shows decline; the decline being recorded mainly in the case of capital goods (-12.8 per cent), consumer durables (-12.5 per cent), and to a marginal extent of intermediate goods industries (-0.7 per cent) (Table IV-1B). Basic and consumer non-durable industries registered positive but lower growth rates of 6.2 per cent and 1.2 per cent, respectively.

Table IV-1B : Growth rate of Industrial production : use-based classification

Industry Group	All Industries			Selected 155 Industries*				
	Weight	Annual average percentage growth		Number of Industries	Weight	Variations in percentage		
						1989-90	1990-91	1991-92
		1985-86 to 1989-90	1990-91@					
1	2	3	4	5	6	7	8	9
A. Basic Goods Industries	39.42	+7.4	+3.8	40	36.36	+5.2	+9.7	+6.2
B. Consumer Goods	23.65	+7.3	+10.4	47	21.76	+5.2	+9.1	-1.1
of which								
(a) Consumer Durables	2.55	+11.8	+14.8	12	2.20	+2.0	+9.1	-12.5
(b) Consumer Non-durables	21.10	+6.5	+9.4	35	19.56	+5.8	+9.1	+1.2
C. Capital Goods	16.42	+14.8	+17.4	32	11.32	+29.1	+5.4	-12.8
D. Intermediate Goods	20.51	+6.5	+6.1	36	16.10	+4.3	+9.5	-0.7
GENERAL INDEX	100.00	+8.5	+8.2	155	85.54	+9.2	+8.6	-0.5

@ : Provisional.

* : Data are based on 155 selected industries which account for a weight of 85.5 per cent in the General Index.

Source : Department of Industrial Development, Ministry of Industry, Government of India.

The performance of infrastructure industries during 1991-92 has been better than in the previous year, indicating an underlying supply potential. Infrastructure industries index increased by 6.0 per cent during 1991-92, which was higher than that of 4.8 per cent in the previous year (Table IV-1C). Barring petroleum sector- both crude and petroleum products - all the infrastructure industries registered a higher rate of growth than in the previous year. Electricity generation registered a higher growth rate of 8.5 per cent during 1991-92 compared with that of 7.8 per cent in the earlier year. This was mainly due to the better performance of thermal sector. The output of coal during 1991-92 recorded a rise of 8.3 per cent as against a rise of 5.4 per cent in 1990-91. Saleable steel output increased by 8.1 per cent as against the growth of 3.1 per cent in the previous year. Cement industry also recorded a higher growth rate of 10.3 per cent during 1991-92 as compared with a rise of 6.3 per cent last year. Performance in the petroleum sector was poor. Production of petroleum crude experienced a large decline of 8.1 per cent during 1991-92 on top of a decline of 3.1 per cent in the previous year, mainly because of agitations and oil-blockades in Assam and reservoir constraints as well as slippages in projects. Output of petroleum refinery products also declined, though marginally, by 0.7 per cent in 1991-92 as compared with a decline of 0.3 per cent in the last year.

Structural Reforms in the Industrial Sector

As discussed in the last year's report a number of policy initiatives have taken place in industrial sector with the objective of promoting "efficiency and competitiveness". These included delicensing of a number of industries, removal of asset limit for large industrial houses for investment, reduction in a number of industries reserved for public sector and a scheme of automatic approval for foreign direct investment upto 51 per cent for 34 select industries. Besides, the Government had also taken a number of policy measures to promote tiny, village and small-scale industries.

The policy reforms initiated in July 1991 were carried forward during 1992-93. Some of the important initiatives taken during this year include

Table IV-1C : Trends in Production of Infrastructure Industries

Industry	Weight	Unit	April-March		
			1989-90	1990-91	1991-92
1	2	3	4	5	6
Electricity	11.43	Billion Units	245.14	264.23 (+7.8)	286.70 (+8.5)
Coal	6.61	Million Tonnes	200.90	211.70 (+5.4)	229.30 (+8.3)
Saleable Steel	5.21	_"_	9.03	9.31 (+3.1)	10.07 (+8.1)
Cement	1.60	_"_	45.80	48.69 (+6.3)	53.70 (+10.3)
Petroleum Crude	2.41	_"_	34.09	33.03 (-3.1)	30.34 (-8.1)
Petroleum Refinery Products	1.52	_"_	48.31	48.15 (-0.3)	47.82 (-0.7)
Composite Index of Infrastructure Industries	28.77	Numbers	205.3	215.0 (+4.8)	228.0 (+6.0)

Note : Figures in brackets are percentage variations over the previous year.

Source : Ministry of Planning and Programme Implementation.

abolition of dividend balancing criterion for foreign investment including NRI investment in power sector as well as in high tech areas, except for a notified list of 22 industries under consumer goods sector. Hundred per cent foreign equity participation is allowed in power sector. The scheme of automatic approval up to 51 per cent foreign equity has been extended also to export and trading houses (including star trading houses) and also to such critical sectors as hydro carbons, exploration / development, refining and marketing of petroleum oil and gas. Besides, Government has also opened doors for investment by foreign institutional investors in Indian capital market. These investments will not be subject to any lock-in period and would also receive a favourable tax treatment. The tax concessions include a flat rate of tax of 20 per cent on dividend and interest and a tax rate of 10 per cent on long term (over one year) capital.

Employment in Organised Sector

Employment in the organised sector is placed at 259.1 lakhs by the end of March 1989; employment recorded a lower rate of growth of 0.7 per cent during 1988-89 as compared with the rise of 1.3 per cent in 1987-88 (Table IV-2A). Within the organised sector, employment of public sector recorded a lower rate of growth of 0.7 per cent during 1988-89 (1.6 in the previous year) while the rate of growth in the private sector accelerated to 0.8 per cent (0.4 per cent in the previous year). During 1988-89 the highest rate of growth of employment was in local bodies (1.2 per cent). The quasi-governments recorded rate of growth of 0.9 per cent, while employment in central and state governments registered an increase of 0.4 per cent and 0.7 per cent, respectively (Table IV-2B).

Table IV-2A: Employment in Organised Sector

At the end of	Employment (in Lakhs)			Percentage change over the previous year		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
1	2	3	4	5	6	7
March 1988	183.2	73.92	257.12	+1.6	+0.4	+1.3
March 1989	184.6	74.53	259.14	+0.7	+0.8	+0.7

Source: Economic Survey, Ministry of Finance, Government of India.

Table IV-2B: Employment in Public Sector

(in lakhs)

Public Sector	End March		
	1988	1989	Growth %
1	2	3	4
Central Government	33.81	33.95	+0.4
State Governments	67.81	68.29	+0.7
Quasi-Governments	59.48	59.99	+0.9
Local Bodies	22.11	22.38	+1.2
Total :	**183.21**	**184.61**	**+0.7**

Source : Economic Survey 1991-92, Ministry of Finance, Government of India.

Employment Situation

The number of employment seekers registered with employment exchanges, rose from 34.6 million at the end of December 1990 to 36.3 million by end of December 1991 (Statement 16 Vol. II of this Report).

Small-Scale Sector

The performance of the small-scale sector during 1991-92 continued to be a source of concern. While the number of small-scale units increased by 6.8 per cent during 1991-92, the estimated growth in production in 1991-92 was modest at 3.4 per cent (against 8.4 per cent in 1990-91). The level of employment in the sector increased by 3.6 per cent in 1991-92 compared with the rise of 4.8 per cent in 1990-91 (Table IV-3).

The deceleration in the rate of growth of production and employment in 1991-92 could be attributed to the combined effect of a number of adverse factors including import restrictions, credit squeeze and hike in the rate of interest on bank advances during 1990-91.

The New Industrial Policy for small-scale sector was announced on August 6, 1991. It placed emphasis on production of tiny enterprises. For this purpose, the Government has revised the definition of tiny units by increasing the investment limit in plant and machinery from Rs. 2 lakh to Rs. 5 lakh and recognised industry-related service enterprises as small-scale industries. The other salient features include : (i) equity participation in the SSI by other industrial undertakings upto 24 per cent of their shareholding; (ii) setting up of network of factoring services throughout the country and introduction of suitable legislation to ensure prompt payment of small industries' bills; (iii) marketing of items of mass consumption under a common brand name through National Small Industries Corporation (NSIC) and State Small Industries Development Corporations (SSIDCs); and (iv) introduction of

Table IV-3 : Small-Scale Sector

Item	Unit	April-March			
		1988-89	1989-90	1990-91	1991-92 (P)
1	2	3	4	5	6
1. Number of Units	Lakh Nos.	17.12	18.23	19.48	20.80
		(+8.1)	(+6.5)	(+6.9)	(+6.8)
2. Production at 1984-85 prices					
a) Target	Rs. crore	73,125	80,220	1,02,240	1.13,165
		(+9.7)	(+9.7)	(+27.4)	(+10.7)
b) Achievement	_"_	82,400	92, 080	99,850	1,03,230
		(+13.1)	(+11.7)	(+8.4)	(+3.4)
3. Production at current prices	_"_	1,06,400	1,32,320	1,55,340	1,78,699
		(+21.9)	(+24.4)	(+17.4)	(+15.0)
4. Exports	_"_	5,489.63	7,625.74	9,664.15	N.A.
		(+25.5)	(+38.9)	(+26.7)	
5. Employment	Lakh persons	113.0	119.6	125.3	129.8
		(+5.6)	(+5.8)	(+4.8)	(+3.6)

P : Provisional. N. A. : Not available.

Notes : 1) Figures in brackets indicate percentage change over the preceding year.
2) Data pertain to modern SSI sector only i.e., exclusive of tiny units such as handlooms, coir, khadi etc.

Source : Office of the Development Commissioner, Small-Scale Industries, Ministry of Industry.

two new schemes for handlooms and handicraft sectors. An Ordinance was promulgated on September 23, 1992 making payment of interest obligatory on delayed payments to small-scale and ancillary industrial undertakings.

Report of the Committee on Financing Small-Scale Industry

The Reserve Bank of India had set up a committee in December 1991 under the Chairmanship of Shri P. R. Nayak, the then Deputy Governor of the Bank, to look into various aspects of credit requirements of the small-scale industries (SSI) sector. The terms of reference included (a) adequacy of institutional credit to the SSI sector, (b) the need for modification/relaxation in the norms prescribed by the Tandon/Chore Committee and (c) revision, if any, required in the existing RBI guidelines for the rehabilitation of sick SSI units. The Committee in its Report submitted in October 1992, observed in particular that credit support to small-scale industries has been inadequate and recommended the following :

(i) Small unregistered units with credit limits of not more than Rs. 1 lakh should have the first claim on the priority sector credit to small-scale industries. The new priority sector credit dispensation, when adopted, should fully provide for the working capital requirements of all tiny units with credit limits upto Rs. 10 lakh.

(ii) The working capital needs of other SSI units at 20 per cent of output should be pre-empted by commercial banks through an annual budgetary exercise and if necessary, a part of resources flowing to the medium and large industrial sector at present, should be diverted to fully meet the demands of SSIs.

(iii) To overcome the operational difficulties of SSIs, the Committee has recommended a system of annual budgeting for the working capital requirements of SSI borrowers, computerisation of information on SSI borrowers which will facilitate timely decisions by banks, delegation of adequate discretionary powers to branch managers, opening of specialised branches to cater to SSIs, revitalising and establishing the forums at the state and district levels for overseeing and monitoring of credit to SSI and the allocation of districts exclusively to SFCs and commercial banks for intensive financing of SSIs, particularly, the units coming within the norms of the Single Window Scheme of SIDBI.

(iv) The definition of a sick SSI unit may be modified whereunder a unit may be classified as 'sick'when any of its borrowal accounts remains overdue for a period exceeding two and a half years and if there is erosion in the net worth due to accumulated cash losses to the extent of 50 per cent or more of its peak net worth during the preceding two accounting years. Another important recommendation with regard to the sick SSI unit is the constitution of State level tribunals, under a Central legislation on the lines of BIFR.

(v) Other aspects considered by the Committee in regard to which recommendations have been made, include (a) indexation of the value of investment in plant and machinery of units to ensure a uniform application of the definition of SSI, (b) moderation in the rates of interest charged to tiny units, (c) reduction in the service/collection charges and overdue interest charged by banks on the bills of their SSI clientele, (d) abolition of the system of levying the DICGC credit guarantee fee separately from SSI borrowers, (e) creation of a separate modernisation fund for SSIs, and (f) setting up of factoring organisations in all parts of the country and allowing the private sector to enter this field.

District Industries Centres

The District Industries Centre (DIC) Programme was started on May 1, 1978 as a centrally sponsored scheme with a view to providing necessary services and support required by tiny cottage and village sector industries and to generate larger employment opportunities in the rural and backward areas. The programme has now covered almost all the 431 districts in the country.

According to the estimates made by the Development Commissioner (Small Scale Industries), the total number of new units established during 1991-92 has increased by 1.8 per cent from 4.31 lakh units in 1990-91 to 4.39 lakh units (comprising 3.03 lakh artisan-based units and 1.36 lakh small-scale units). These units generated additional

employment opportunities for 11.5 lakh persons. The credit assistance provided by financial institutions through DICs is estimated to be Rs. 1,700 crore (Table IV-4).The DIC Programme was evaluated by five reputed institutions and the recommendations and suggestions have been passed on to the states for necessary action.

Industrial Sickness

The latest data available on industrial sickness relates to end-March 1991. The total bank credit locked up in sick/weak units increased from Rs. 9,930 crore as at end-September 1990 to Rs. 10,768 crore as at end-March 1991. The total bank credit in sick/weak units as at end-March 1991 at Rs. 10,768 crore constituted 17.5 per cent of the total outstanding industrial credit. Small-scale industries accounted for about one-fourth of total bank credit outstanding against sick/weak units in the country as at end-March 1991. The amount outstanding against sick small-scale units at Rs. 2,792 crore as at end-March 1991 constituted 16.3 per cent of total credit to small-scale industries. On the other hand sick/weak units in the medium and large scale sector (i.e. non-SSI sick/weak units) constituted around three-fourth of total bank credit locked up in sick/weak units in the country (as on March 1991); the outstanding bank credit locked up in sick/weak medium and large scale units at Rs. 7,976 crore as at end-March 1991 constituted around 18.0 per cent of total industrial credit to medium and large scale units.

Table IV-4 : Performance of District Industries Centres

	Item	Total Achievement (April-March)			Per DIC Achievement (April-March)		
		1989-90	1990-91	1991-92 **	1989-90	1990-91	1991-92
	1	2	3	4	5	6	7
1.	No. of DICs sanctioned	422	422	422	1	1	1
2.	No. of DICs reporting	422	422	422	1	1	1
3.	New Registrations done (Nos.)	2,73,320	2,54,078	2,38,500	648	659	565
4.	New units established (Nos.) @						
	i) Artisans	3,01,082	3,01,923	3,02,766	713	716	717
	ii) SSI	1,22,777	1,29,314	1,36,199	291	306	323
	Total	4,23,859	4,31,237	4,38,965	1,004	1,022	1,040
5.	Credit assistance provided by financial institutions through DICs (Rs.crore)	1,714.67	1,620.74	1,700.00	4.06	3.84	4.00
6.	Additional employment generated (No. of persons)	10,96,560	11,22,869	11,49,809	2,598	2,661	2,725
7.	Units given technical and other assistance (Nos.)	1,50,246	1,53,850	1,57,540	356	365	373

* : Provisional. * *:Estimated on the basis of past trend.

@ : Includes Small-Scale Sector, other units of VSI sector and Non-SIDO units.

Source : Office of the Development Commissioner (Small-Scale Sector), Ministry of Industry, Government of India.

Non-SSI sick units

The number of non-SSI sick units as defined under the Sick Industrial Companies (Special Provisions) Act, 1985 marginally declined from 1,467 in September 1990 to 1,461 in March 1991; however outstanding bank credit to these units rose from Rs. 4,734.27 crore to Rs. 5,105.57 crore respectively (Table IV-5).

Region-wise, the Western Region accounted for 36 per cent of the total non-SSI sick units and about 41.1 per cent of the total outstanding bank credit as at the end of March 1991. As regards state-wise position of non-SSI sick units, the largest number was in Maharashtra, followed by West Bengal, Gujarat, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and Karnataka. These seven industrially advanced States accounted for 74.5 per cent

Table IV-5 : State-wise and Industry-wise Classification of Non-Sick Industrial

State/ Union/ Territory	Engineering		Electrical		Textiles		Jute		Paper		
	No.of units	Amount out-stan-ding	No. of units	Amount out-stan-ding	No. of units	Amount out-stan-ding	No. of units	Amount out-stan-ding	No. of untis	Amount out-stan-ding	No. of units
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
Eastern Region											
Assam	-	-	-	-	-	-	-	-	2	5.73	-
Meghalaya	-	-	-	-	-	-	-	-	-	-	-
Bihar	7	16.14	-	-	4	3.07	1	0.25	3	1.58	-
West Bengal	35	158.01	5	7.95	15	44.91	32	153.81	12	20.46	3
Nagaland	-	-	-	-	-	-	-	-	-	-	-
Orissa	7	10.30	-	-	5	10.77	1	0.66	2	15.80	-
Sikkim	-	-	-	-	-	-	-	-	-	-	-
Total (Eastern Region)	**49** (18.1)	**184.45** (18.3)	**5** (13.9)	**7.95** (3.6)	**24** (8.9)	**58.75** (4.1)	**34** (91.9)	**154.72** (95.9)	**19** (16.7)	**43.57** (16.0)	**3** (14.3)
Northern Region											
Uttar Pradesh	16	32.96	5	20.98	12	64.64	1	3.33	11	18.99	1
Delhi	7	18.77	-	-	1	2.33	-	-	4	2.15	-
Punjab	8	6.67	1	8.81	6	4.64	-	-	5	6.66	-
Haryana	18	101.60	-	-	8	19.87	-	-	4	5.49	1
Chandigarh	2	3.55	2	1.42	3	4.87	-	-	4	4.97	-
Jammu & Kashmir	1	1.32	-	-	-	-	-	-	-	-	-
Himachal Pradesh	1	5.29	-	-	-	-	-	-	8	16.91	-
Rajasthan	5	6.51	2	10.55	15	42.26	-	-	6	9.35	-
Total (Northern Region)	**58** (21.5)	**176.67** (17.6)	**10** (27.8)	**41.76** (18.9)	**45** (16.8)	**138.61** (9.7)	**1** (2.7)	**3.33** (2.1)	**42** (36.8)	**64.52** (23.7)	**2** (9.5)
Western Region											
Gujarat	25	65.42	1	1.19	63	374.11	-	-	8	38.15	1
Maharash-tra	75	322.1	8	53.42	71	526.63	-	-	10	24.57	4
Daman & Diu	-	-	-	-	-	-	-	-	-	-	1
Goa	1	1.82	-	-	-	-	-	-	-	-	-
Dadra & Nagar Haveli	-	-	-	-	-	-	-	-	-	-	-
Madhya Pradesh	2	2.03	2	4.87	9	67.17	-	-	5	3.48	1
Total (Western Region)	**103** (38.2)	**391.38** (38.9)	**11** (30.6)	**59.48** (26.8)	**143** (53.4)	**967.91** (67.8)	-	-	**23** (20.2)	**66.20** (24.3)	**7** (33.3)
Southern Region											
Andhra Pradesh	23	78.44	6	5.40	12	36.69	2	3.32	11	73.66	1
Karnataka	9	33.16	2	11.10	15	60.89	-	-	5	12.41	4
Tamil Nadu	22	119.67	-	-	24	140.00	-	-	8	8.31	1
Kerala	5	21.49	2	95.78	5	24.69	-	-	1	1.00	3
Pondi-cherry	1	0.59	-	-	-	-	-	-	2	2.73	-
Total (Southern Region)	60 (22.2)	253.35 (25.2)	10 (27.7)	112.28 (50.7)	56 (20.9)	262.27 (18.4)	2 (5.4)	3.32 (2.0)	30 (26.3)	98.11 (36.0)	9 (42.9)
Total	**270**	**1005.85**	**36**	**221.47**	**268**	**1427.54**	**37**	**161.37**	**114**	**272.40**	**21**

Note : 1) According to Sick Industrial Companies (Special Provisions) Act, 1985, 'Sick Industrial Company', means an industrial company (being a company registered for not less than seven years) which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year. The provisions of the Act do not apply to Government companies, shipping companies and small-scale industrial units / ancillary units.

2) Figures in brackets indicate percentage share to the total.

Source : Industrial & Export Credit Department, Reserve Bank of India.

Units and Outstanding Bank Credit as at the end of March 1991

(Amount in Rs. Crore)

Rubber	Cement		Iron & Steel		Sugar		Chemicals		Miscellaneous		Total	
Amount out-stan-ding	No. of Units	Amount Out-stan-ding	No of Units	Amount Out-stan-ding	No. of Units	Amount Out stan-ding	No. of Units	Amount Out-stan-ding	No. of Units	Amount Out-stan ding	No of Units	Amount Out-stan-ding
13.	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.	24.	25.
-	-	-	1	1.32	-	-	-	-	4	2.78	7	9.83
-	-	-	-	-	-	-	1	1.14	-	-	1	1.14
-	2	12.80	5	6.67	3	11.27	2	10.22	11	43.18	38	105.18
10.40	-	-	18	40.65	1	5.17	7	18.93	57	265.33	185	725.62
-	-	-	-	-	-	-	-	-	1	2.35	1	2.35
-	-	-	6	24.22	-	-	5	12.61	9	41.07	35	115.43
-	-	-	-	-	-	-	-	-	1	2.92	1	2.92
10.40	**2**	**12.80**	**30**	**72.86**	**4**	**16.44**	**15**	**42.90**	**83**	**357.63**	**268**	**962.47**
(12.8)	(7.1)	(7.8)	(26.6)	(21.9)	(22.2)	(16.3)	(11.5)	(18.0)	(19.5)	(32.6)	(18.3)	(18.9)
0.69	2	5.38	3	6.58	3	11.18	6	11.08	32	79.67	94	255.48
-	-	-	2	12.35	-	-	-	-	6	31.69	20	67.29
-	-	-	-	-	-	-	2	14.34	10	27.74	32	68.86
1.59	-	-	5	10.64	-	-	2	1.94	11	10.33	49	151.46
-	-	-	-	-	1	7.28	1	1.87	3	6.43	16	30.39
-	-	-	-	-	-	-	-	-	1	7.83	2	9.15
-	-	-	2	2.33	-	-	2	0.68	2	3.95	15	29.16
-	3	10.36	5	7.14	1	4.37	4	4.86	11	29.86	52	125.26
2.28	**5**	**15.74**	**17**	**39.04**	**5**	**22.83**	**19**	**34.77**	**76**	**197.50**	**280**	**737.05**
(2.8)	(17.9)	(9.6)	(15.0)	(11.7)	(27.8)	(22.7)	(14.6)	(14.5)	(17.8)	(18.0)	(19.2)	(14.4)
0.08	4	9.06	14	39.17	-	-	13	15.32	25	41.72	154	584.22
19.45	2	38.59	24	92.26	3	18.34	29	75.88	75	170.80	301	1342.05
4.04	-	-	-	-	-	-	-	-	-	-	1	4.04
-	-	-	2	29.20	-	-	1	0.65	10	6.56	14	38.23
-	-	-	-	-	-	-	-	-	2	2.09	2	2.09
0.49	2	0.79	4	12.39	-	-	4	8.85	19	26.32	48	126.39
24.06	**8**	**48.44**	**44**	**173.02**	**3**	**18.34**	**47**	**100.70**	**131**	**247.49**	**520**	**2097.02**
(29.5)	(28.6)	(29.4)	(38.9)	(51.9)	(16.7)	(18.2)	(36.2)	(42.1)	(30.8)	(22.5)	(35.6)	(41.1)
4.09	7	62.74	2	4.78	2	6.60	21	24.59	48	108.96	135	409.27
3.63	6	24.91	9	35.26	4	36.47	5	3.77	31	86.89	93	308.49
0.50	-	-	11	8.14	-	-	17	18.04	44	87.93	127	382.59
36.53	-	-	-	-	-	-	6	14.22	12	11.42	34	205.13
-	-	-	-	-	-	-	-	-	1	0.23	4	3.55
44.75	**13**	**87.65**	**22**	**48.18**	**6**	**43.07**	**49**	**60.62**	**136**	**295.43**	**393**	**1309.03**
(54.9)	(46.4)	(53.2)	(19.5)	(14.5)	(33.3)	(42.8)	(37.7)	(25.4)	(31.9)	(26.9)	(26.9)	(25.6)
81.49	**28**	**164.63**	**113**	**333.10**	**18**	**100.68**	**130**	**238.99**	**426**	**1098.05**	**1461**	**5105.57**

Table IV-5 A : State-wise and Industry-wise Classification of Non-SSI Weak Industrial Units and Outstanding

State / Union Territory	Engineering		Electrical		Textiles		Jute		Paper		Rubber
	No.of Units	Amount Out-standing	No. of Units	Amount Out-standing	No of Units	Amount Out-standing	No. of Units	Amount Out-standing	No. of Units	Amount Out-standing	No. of Units
1	2	3	4	5	6	7	8	9	10	11	12
Eastern Region											
Assam	1	0.24	-	-	1	0.26	-	-	-	-	-
Bihar	4	129.85	-	-	1	0.64	2	1.19	-	-	-
Arunachal Pradesh	-	-	-	-	-	-	-	-	-	-	-
West Bengal	14	74.48	3	31.11	8	28.71	6	17.46	3	5.73	3
Orissa	6	4.07	1	1.10	5	23.95	-	-	1	0.19	-
Andaman & Nicobar Islands	-	-	-	-	-	-	-	-	-	-	-
Tripura	-	-	-	-	-	-	1	5.20	-	-	-
Total (Eastern Region)	**25** (23.8)	**208.64** (45.6)	**4** (14.8)	**32.21** (15.0)	**15** (8.7)	**53.56** (9.4)	**9** (81.8)	**23.85** (91.3)	**4** (17.4)	**5.92** (6.6)	**3** (27.3)
Northern Region											
Uttar Pradesh	10	68.94	5	24.14	18	147.49	-	-	1	0.51	1
Delhi	1	0.81	-	-	-	-	-	-	-	-	-
Punjab	3	5.06	1	0.11	3	13.60	-	-	-	-	1
Haryana	6	17.47	1	52.19	3	6.39	-	-	1	0.34	-
Chandigarh	-	-	-	-	-	-	-	-	-	-	-
Himachal Pradesh	1	0.40	-	-	3	1.89	-	-	1	0.50	-
Rajasthan	2	1.78	-	-	8	8.29	-	-	-	-	-
Total (Northern Region)	**23** (21.9)	**94.46** (20.7)	**7** (25.9)	**76.44** (35.5)	**35** (20.2)	**177.66** (31.3)	-	-	**3** (13.1)	**1.35** (1.5)	**2** (18.1)
Western Region											
Gujarat	10	14.16	1	0.54	37	128.93	-	-	-	-	-
Maharashtra	16	65.70	2	3.44	35	108.92	-	-	6	10.26	3
Daman & Diu	-	-	-	-	-	-	-	-	-	-	-
Goa	1	0.07	-	-	-	-	-	-	-	-	-
Madhya Pradesh	4	11.56	-	-	10	13.07	-	-	3	4.27	-
Dadra & Nagar Haveli	-	-	-	-	1	0.86	-	-	-	-	-
Total (Western Region)	**31** (29.5)	**91.49** (20.0)	**3** (11.1)	**3.98** (1.8)	**83** (48.0)	**251.78** (44.4)	-	-	**9** (39.1)	**14.53** (16.3)	**3** (27.3)
Southern Region											
Andhra Pradesh	11	16.46	5	15.04	11	13.71	2	2.27	3	1.20	-
Karnataka	2	0.35	3	17.45	9	28.40	-	-	2	52.43	2
Tamil Nadu	8	19.98	3	11.15	13	23.65	-	-	1	2.13	-
Kerala	4	22.04	2	59.24	5	6.44	-	-	1	11.62	1
Pondicherry	1	3.96	-	-	2	12.00	-	-	-	-	-
Total (Southern Region)	**26** (24.8)	**62.79** (13.7)	**13** (48.2)	**102.88** (47.7)	**40** (23.1)	**84.20** (14.9)	**2** (18.2)	**2.27** (8.7)	**7** (30.4)	**67.38** (75.6)	**3** (27.3)
Total (All India)	**105**	**457.38**	**27**	**215.51**	**173**	**567.20**	**11**	**26.12**	**23**	**89.18**	**11**

Note : (1) With a view to cover categories of non-SSI industrial units, which do not come under the purview of Sick Industrial Companies (Special Provision) Act, 1985, the Reserve Bank of India has advised the banks that an industrial unit is defined as 'Weak' if it has at the end of any accounting year, accumulated losses equal to or exceeding 50 per cent of its peak net worth, in the immediately preceding five accounting years. It is clarified that 'weak' units will include all categories of borrowers, i.e. limited companies, partnership firms, proprietory concerns, etc.

(2) Figures in brackets indicate percentage share to the total.

Source : Industrial and Export Credit Department, Reserve Bank of India.

Bank Credit as at the end of March 1991

(Amount in Rs. Crore)

Cement			Iron & Steel		Sugar		Chemicals		Miscellaneous		Total	
Amount out-standing	No. of Units	Amount out-standing	No.of Units	Amount out-standing	No.of Units	Amount Out-standing	No. of Units	Amount Out-standing	No. of Units	Amount Out-standing	No. of Units	Amount Out-standing
13.	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.	24.	25.
-	-	-	-	-	1	1.55	3	50.62	27	44.64	33	97.31
-	1	1.24	-	-	2	16.53	1	0.80	11	23.53	22	173.78
-	-	-	-	-	-	-	-	-	1	0.92	1	0.92
24.51	2	2.56	7	60.86	-	-	8	18.17	60	114.14	114	377.73
-	2	1.55	-	-	1	4.17	2	30.72	8	32.26	26	98.01
-	-	-	-	-	-	-	-	-	1	2.49	1	2.49
-	-	-	-	-	-	-	-	-	5	1.58	6	6.78
24.51	**5**	**5.35**	**7**	**60.86**	**4**	**22.25**	**14**	**100.31**	**113**	**219.56**	**203**	**757.02**
(47.5)	**(22.7)**	**(5.0)**	**(20.6)**	**(37.0)**	**(11.1)**	**(18.1)**	**(21.2)**	**(31.1)**	**(30.7)**	**(29.4)**	**(23.2)**	**(26.4)**
3.56	1	29.30	3	5.41	24	90.73	5	7.90	23	96.14	91	474.12
-	-	-	-	-	-	-	-	-	12	52.73	13	53.54
2.72	-	-	-	-	1	0.84	-	-	4	2.13	13	24.46
-	-	-	2	6.72	-	-	2	51.10	10	15.88	25	150.09
-	-	-	-	-	-	-	1	0.61	1	0.38	2	0.99
-	-	-	-	-	-	-	2	0.40	1	8.18	8	11.37
-	-	-	1	10.06	-	-	2	1.67	12	44.46	25	66.26
6.28	**1**	**29.30**	**6**	**22.19**	**25**	**91.57**	**12**	**61.68**	**63**	**219.90**	**177**	**780.83**
(12.2)	**(4.5)**	**(27.2)**	**(17.6)**	**(13.5)**	**(69.4)**	**(74.5)**	**(18.2)**	**(19.2)**	**(17.1)**	**(29.5)**	**(20.2)**	**(27.2)**
-	3	54.18	-	-	-	-	2	7.98	23	21.82	76	227.61
7.75	1	1.64	9	25.85	3	1.31	10	11.19	45	93.86	130	329.92
-	-	-	-	-	-	-	-	-	1	0.36	1	0.36
-	-	-	1	0.13	-	-	-	-	9	17.49	11	17.69
-	6	4.37	1	5.34	2	5.92	5	4.48	17	33.44	48	82.45
-	-	-	-	-	-	-	-	-	-	-	1	0.86
7.75	**10**	**60.19**	**11**	**31.32**	**5**	**7.23**	**17**	**23.65**	**95**	**166.97**	**267**	**658.89**
(15.0)	**(45.5)**	**(55.9)**	**(32.4)**	**(19.0)**	**(13.9)**	**(5.9)**	**(25.8)**	**(7.3)**	**(25.8)**	**(22.4)**	**(30.5)**	**(23.0)**
-	4	4.39	3	2.61	1	0.62	6	9.87	27	43.54	73	109.71
10.40	1	1.45	3	40.27	-	-	9	89.24	32	41.59	63	281.58
-	-	-	2	4.93	1	1.29	3	4.16	22	30.07	53	97.36
2.63	1	6.98	2	2.49	-	-	4	32.66	12	19.65	32	163.75
-	-	-	-	-	-	-	1	0.85	4	4.26	8	21.07
3.03	6	12.82	10	50.30	2	1.91	23	136.78	97	139.11	229	673.47
(25.3)	(27.3)	(11.9)	(29.4)	(30.5)	(5.6)	(1.5)	(34.8)	(42.4)	(26.4)	(18.7)	(26.1)	(23.4)
51.57	**22**	**107.66**	**34**	**164.67**	**36**	**122.96**	**66**	**322.42**	**368**	**745.54**	**876**	**2870.21**

Table - IV 5B : State-wise Classification of Sick Small-Scale Industrial Units and Outstanding Bank Credit as at end of March 1991

(Rs. Crore)

Sr.No.	State/Union Territory	No. of Units	Amount Outstanding
1.	2.	3.	4.
	Eastern Region		
1.	Assam	4892	26.84
2.	Meghalaya	66	0.50
3.	Mizoram	-	-
4.	Bihar	5171	70.46
5.	Arunachal Pradesh	10	0.24
6.	West Bengal	30748	257.11
7.	Nagaland	47	1.22
8.	Manipur	2278	1.36
9.	Orissa	7443	42.17
10.	Sikkim	75	0.44
11.	Tripura	605	1.74
12.	Andaman & Nicobar Islands	22	0.03
	Total (Eastern Region)	51357	402.11
		(23.2)	(14.4)
	Northern Rgion		
13.	Uttar Pradesh	27477	230.94
14.	Delhi	4364	176.61
15.	Punjab	5288	91.79
16.	Haryana	2720	64.53
17.	Chandigarh	305	9.52
18.	Jammu & Kashmir	720	7.08
19.	Himachal Pradesh	848	11.36
20.	Rajasthan	12196	61.42
	Total (Northern Region)	53918	653.25
		(24.3)	(23.4)
	Western Region		
21.	Gujarat	6240	211.14
22.	Maharashtra	20332	561.86
23.	Daman & Diu	70	1.52
24.	Goa	1148	15.56
25	Dadra, Nagar Haveli	7	0.63
26.	Madhya Pradesh	17146	111.34
	Total (Western Region)	44943	902.05
		(20.3)	(32.3)
	Southern Region		
27.	Andhra Pradesh	29487	236.64
28.	Karnataka	12858	173.26
29.	Lakshadweep	-	-
30.	Tamil Nadu	10757	260.73
31.	Kerala	17973	159.42
32.	Pondicherry	179	4.58
	Total (Southern Region)	71254	834.63
		(32.2)	(29.9)
	Total (All India)	**221472**	**2792.04**

Note : 1) A small-scale industrial unit is considered as sick unit if it has at the end of any accounting year, accumulated losses equal to or exceeding 50 per cent of its peak net worth in the immediately preceding five accounting years. In the case of tiny / decentralised sector also a unit is considered sick if it satisfies the above definition. However, in the case of such units, if it is difficult to get financial particulars, a unit is considered sick if it has defaulted continuously for a period of one year, in the payment of interest. or instalments of principal and there are persistent irregulaarities in the operation of its credit limits with the bank.

2) Figures in brackets indicate percentage share to total

Source : Industrial and Export Credit Department, Reserve Bank of India..

of the total number of non-SSI sick units and 78.5 per cent of the total bank credit outstanding against them.

Industry-wise, the sickness was prominent in engineering (270 units), textiles (268 units), chemicals (130 units), paper (114 units) and iron and steel (113 units). These five industrial groups accounted for 61.3 per cent of the total number of non-SSI sick units and 64.2 per cent of the total bank credit outstanding against them as at the end of March 1991.

Non-SSI weak industrial units

The number of non-SSI weak industrial units increased from 817 in September 1990 to 876 in March 1991; outstanding bank credit to these units increased from Rs. 2,585.24 crore to Rs. 2,870.21 crore respectively. Region-wise, the Western Region accounted for the largest number (267 units) with outstanding bank credit of Rs. 658.89 crore (Table IV-5A). State-wise, the number of non-SSI weak units was the highest in Maharashtra (130 units) with outstanding bank credit of Rs. 329.92 crore, followed by West Bengal (114 units), Uttar Pradesh (91 units) and Gujarat (76 units). Industry-wise, weak units were more predominent in textiles (173 units - Rs. 567.20 crore) and engineering (105 units - Rs. 457.38 crore) industry.

Sick SSI units

The number of sick small-scale units decreased from 2,25,324 as at end-Septemebr 1990 to Rs. 2,21,472 as at end-March 1991; the bank credit locked up in these units increased from Rs. 2,610.87 crore in September 1990 to Rs. 2,792.04 crore in March 1991. Region-wise, majority of sick units was from Southern Region (32.2 per cent), followed by Northern Region (24.3 per cent), Eastern Region (23.2 per cent) and Western Region (20.3 per cent). However, in terms of outstanding bank credit, Western Region ranked first (32.3 per cent), followed by Southern Region (29.9 per cent), Northern Region (23.4 per cent) and Eastern Region (14.4 per cent) (Table IV-5B). Industry-wise details of sick SSI units are given in Table IV-5C.

Table IV-5C : Industry-wise classification of sick small-scale industrial units and outstanding bank credit as at the end of March 1991

Sr. No.	Industry	No. of units	Amount outstanding (Rs.crores)
1.	2	3	4
1.	Engineering	24,941	476.92
2.	Electrical	6.057	134.16
3.	Textiles	16,149	171.78
4.	Jute	287	6.16
5.	Paper	2,634	36.51
6.	Rubber	2,063	39.63
7.	Cement	737	20.35
8.	Iron & Steel	2,942	129.68
9.	Sugar	384	14.09
10.	Chemicals	8,203	282.15
11.	Miscellaneous	1,57,075	1,480.61
	Total	**2,21,472**	**2,792.04**

Source : Industrial Export and Credit Department, Reserve Bank Of India.

The banks have completed viability studies in respect of 2,19,138 sick SSI units of which 16,140 units were considered viable. Of the viable units, 13,224 units were put under nursing programme with banks.

A. Basic Industries

(a) Coal

The production of coal (excluding lignite) recorded a high rate of growth of 8.3 per cent during 1991-92 as compared with the rate of growth of 5.4 per cent in 1990-91 (Table IV-6). In 1991-92, Coal India Limited (CIL) produced 204.15 million tonnes of coal which accounted for 89 per cent of the total production of coal (229.29 million tonnes). This was slightly higher than the target of 203 million tonnes fixed for the year. This was mainly due to improvement in productivity; the productivity of coal as measured by raw coal output per man shift (OMS) of CIL improved from 1.31 tonnes in 1990-91 to 1.41 tonnes in 1991-92. Singareni Collieries Company Ltd. (SCCL) which accounts for 8.9 per cent of total output in 1991-92 also improved its productivity; its OMS increasing from 0.96 tonne, in 1990-91 to 0.98 tonne, in 1991-92.

Among the subsidiary companies under CIL, two companies, viz., Bharat Coking Coal Ltd. (BCCL) and Northern Coalfields Ltd.(NCL) could not achieve their output targets, whereas four companies viz., Eastern Coalfields Ltd. (ECL), Central Coalfields Ltd. (CCL), Western Coalfields Ltd. (WCL) and South-Eastern Coalfields Ltd.(SECL) exceeded their respective targets.

In consonance with increased coal output, its despatches at 218.80 million tonnes were higher by 8.8 per cent during 1991-92 (a rise of 4.8 per cent last year). However, the pit-head stocks of coal at 48.73 million tonnes at the end of 1991-92 were higher by 14.5 per cent as compared to the stocks of 42.56 million tonnes at the end of the previous year. The larger accumulation of stocks has taken place despite better performance in the transportation of coal. The railways are the major agency for coal transportation, accounting for about 62 per cent of total despatches. The daily average coal loading by CIL increased by 7.5 per cent from 13,329 wagons per day in 1990-91 to 14,335 wagons per day in 1991-92. The higher pit-head stocks have to be viewed in the light of the 'Cash and Carry Scheme' introduced by the coal industry in October 1991 for its consumers. Under the scheme, coal would be supplied to bulk consumers only if payments are made in advance. CIL has to receive about Rs. 1,900 crore as dues from power plants.

As per the revised Eighth Plan, the Planning Commission has estimated the total demand for coal in the terminal year of the Plan i.e., 1996-97 at 311.00 million tonnes excluding 7.70 million tonnes of washery middlings for power plants. A production target of 303 million tonnes of coal has been suggested for CIL and SCCL mines and 5.00 million tonnes for TISCO/IISCO and DVC mines in the Eighth Plan period. The balance requirement is proposed to be met by drawing down pit-head stocks.

During the year additional coal reserves of about 3.66 billion tonnes were established by the Geological Survey of India. As on January 1, 1992 the coal reserves in the country (up to a depth of 1,200 metres) have been estimated and placed at 196.02 billion tonnes.

(b) Iron Ore

Iron ore production in the country during 1991-92 at 57.1 million tonnes recorded an increase of about 4 per cent over the output level of 54.9 million tonnes in the year 1990-91 (Table IV-7). The relative share of public sector mines in total production of iron ore increased from 57 per cent in 1990-91 to 60 per cent in 1991-92. State-wise, Madhya Pradesh made the largest contribution of 24 per cent in the total iron ore production in the country, followed by Goa (22 per cent), Karnataka (21 per cent), Bihar (18 per cent) and Orissa (15 per cent). Nominal production was reported by some other States like Maharashtra, Andhra Pradesh, Rajasthan and Haryana.

Table IV - 6 : Performance of Coal Industry

(Million tonnes)

Item	April - March		
	1989-90	1990-91	1991-92 (P)
1	2	3	4
1. **Production**			
a) **Coal (i+ii)**	200.89	211.73	229.29
	(+3.2)	(+5.4)	(+8.3)
i) Coking Coal	44.43	45.36	46.23
	(+4.0)	(+2.1)	(+2.0)
ii) Non-Coking Coal	156.46	166.37	183.01
	(+3.0)	(+6.3)	(+10.0)
b) **Lignite**	12.80	11.76	12.54
	(+3.2)	(-8.1)	(+6.6)
2. **Imports (Coking Coal)**	5.35	5.56	6.09
	(+20.5)	(+3.9)	(+9.5)
3. **Despatches (i+ii)**	191.93	201.08	218.80
	(+4.3)	(+4.8)	(+8.8)
i) Coking Coal	41.04	41.10	42.71
	(-0.4)	(+0.1)	(+3.9)
ii) Non-Coking Coal	150.89	159.98	176.09
	(+5.6)	(+6.0)	(+10.0)
4. **Exports**	0.16	0.09	0.11
	(-15.8)	(-43.8)	(+22.2)
5. **Year-end Pit-head Stocks (i+ii)**	37.43	42.56	48.73
	(+10.2)	(+13.7)	(+14.5)
i) Coking Coal	11.64	15.10	17.49
	(-4.9)	(+29.7)	(+15.8)
ii) Non-Coking Coal	25.79	27.46	31.24
	(+18.7)	(+6.5)	(+13.8)

Notes : 1) Figures in brackets represent percentage variations over the previous year.
2) Figures of year-end stocks cannot be arrived at on the basis of other figures in the table, as the figures relating to export of coal represent actual exports and not despatches for exports.

Source : Ministry of Coal, Government of India.

Consequent to the setting up of a number of sponge iron plants within the country, there has been a sharp rise in the internal consumption of iron ore; despatches of iron ore for internal consumption rose by 15.2 per cent in 1991-92 over the last year's level of 22.3 million tonnes. However, the exports of iron ore at 29.2 million tonnes during 1991-92, registered a decline of 10.2 per cent, as compared with a fall of 8.7 per cent in 1990-91.

Table IV -7 : Performance of Iron Ore Industry

(Million tonnes)

Item	April-March		
	1989-90	1990-91	1991-92 (P)
1	2	3	4
Production	55.4	54.9	57.1
	(+8.4)	(-0.9)	(+4.0)
Despatches for internal consumption	22.0	22.3	25.7
	(+12.2)	(+1.4)	(+15.2)
Despatches for exports	35.6	32.5	29.2
	(+7.9)	(-8.7)	(-10.2)
Year - end stocks	4.1	4.6	4.5
	(+2.5)	(+12.2)	(-2.2)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.
Source : Indian Bureau of Mines, Ministry of Mines, Government of India.

(c) Cement

Cement industry registered an impressive performance during 1991-92; production as well as demand for cement improved considerably. Taking advantage of full decontrol of cement industry in March 1991, production of cement recorded an impressive rate of growth of 9.8 per cent during 1991-92 as compared with the rate of growth of 7.5 per cent in 1990-91 (Table IV-8). Capacity utilisation also improved from 76.3 per cent in 1990-91 to 81.0 per cent in 1991-92. The improvement in both production and capacity utilisation was mainly due to buoyancy in domestic demand. Thus, despatches of cement (excluding mini and white cement plants) recorded a growth of 16.8 per cent during 1991-92 compared with the increase of 6.5 per cent in 1990-91. Moreover, the industry was able to export 0.4 million tonnes of cement during 1991-92 as compared with 0.3 million tonnes in 1990-91.

However, production of cement during 1991-92 was lower than the target of 55 million tonnes. The shortfall in the targeted production during 1991-92 was due to the poor performance of public sector units which accounted for about 15 per cent of the installed capacity. Although the output of public sector plants improved from 5.0 million tonnes in 1990-91 to 5.2 million tonnes in 1991-92, capacity utilisation of public sector units improved only marginally, i.e.,from 54 per cent in 1990-91 to 55 per cent in 1991-92. On the other hand, the rate of growth of output of private sector plants accelerated to 11.3 per cent during 1991-92 as compared with the increase of 8.5 per cent in 1990-91. Correspondingly, the capacity utilisation of private sector units also improved from 90 per cent in 1990-91 to 94 per cent in 1991-92.

(d) Iron and Steel

The performance of iron and steel industry improved further during 1991-92, with decontrol

Table IV-8 : Performance of Cement Industry

(Million tonnes)

	Item	April-March		
		1989-90	1990-91	1991-92 (P)
	1	2	3	4
1.	Installed Capacity	62.0	64.0	66.2
		(+2.0)	(+3.2)	(+3.4)
2.	Production	45.4	48.8	53.6
		(+2.5)	(+7.5)	(+9.8)
3.	Despatches	43.0	45.8	53.5
		(+3.1)	(+6.5)	(+16.8)
4.	Average Capacity			
	Utilisation (per cent)	73.2	76.3	81.0
5.	Imports	Nil	Nil	Nil
6.	Exports	0.2	0.3	0.4
7.	Year-end stocks	0.6	0.6	0.8

P : Provisional.
Note : 1) Figures in brackets represent percentage variations over the previous year.
2) Data relating to installed capacity production and capacity utilisation relate to the industry as a whole, while those of despatches and year-end stocks are exclusive of mini and white cement plants.
Source : Cement Manufacturers Association, New Delhi.

Table IV-9 : Output of Cement Industry

(Million - tonnes)

	Item	April-March		
		1989-90	1990-91	1991-92 (P)
	1	2	3	4
1.	**Public Sector**	**5.3**	**5.0**	**5.2**
		(-)	(-5.7)	(+4.0)
	(a) Cement Corporation of India	2.8	2.9	3.2
		(+12.0)	(+3.6)	(+10.3)
	(b) Others	2.5	2.0	2.0
		(-10.7)	(-20.0)	(-)
2.	**Private Sector**	**37.6**	**40.8**	**45.4**
		(+3.0)	**(+8.5)**	**(+11.3)**
3.	**Mini and White Cement Plants**	**2.5**	**3.0**	**3.0**
		(-)	**(+20.0)**	(-)
	Total (1 to 3)	**45.4**	**48.8**	**53.6**
		(+2.5)	**(+7.5)**	**(+9.8)**

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.
Source : Cement Manufacturers Association, New Delhi.

of iron and steel industry delicensing and price controls providing the much needed impetus to the industry. Output of saleable steel during 1991-92 at 14.0 million tonnes registered a higher increase of 5.9 per cent than that of 4.6 per cent in the previous year (Table IV-10). This was rendered possible because of the record growth in production at SAIL plants of 8.6 per cent in 1991-92 as against

Table IV-10 : Production of Iron and Steel *

('000 Tonnes)

		Pig Iron			Saleable steel		
		1989-90	1990-91	1991-92	1989-90	1990-91	1991-92
A.	**Production**						
1.	Rourkela	72.4	50.0	38.7	1,111.4	1,087.0	1,125.3
		(6.0)	(-30.9)	(-22.6)	(-4.9)	(-2.2)	(3.5)
2.	Bhilai	322.3	95.6	174.9	2,593.8	2,794.9	3,104.0
		(10.6)	(-70.3)	(82.9)	(2.0)	(7.8)	(10.1)
3	Durgapur	207.0	87.5	69.9	700.1	727.2	681.5
		(60.5)	(-57.7)	(-20.1)	(-15.8)	(3.9)	(-6.3)
4.	Bokaro	390.1	332.0	170.9	2,325.2	2,426.2	2,730.4
		(13.1)	(-14.9)	(-48.5)	(2.1)	(4.3)	(12.5)
	Total (SAIL)	**991.8**	**565.1**	**454.4**	**6,730.5**	**7,035.3**	**7,641.2**
		(19.0)	**(-43.0)**	**(-19.5)**	**(-1.3)**	**(4.5)**	**(8.6)**
5.	IISCO	243.1	307.8	388.8	332.9	329.2	387.1
		(43.0)	(26.6)	(26.3)	(-24.7)	(-1.1)	(17.6)
6.	TISCO	7.5	0.4	–	1,966.0	1,944.3	2,038.0
		(-)	(-94.7)	–	(1.1)	(-1.1)	(4.8)
7.	VSP	–	520.2	642.2	–	19.7	503.7
			(-)	(23.4)			(-)
	Total (1 to 7)	**1,242.4**	**1,393.5**	**1,485.4**	**9,029.4**	**9,328.5**	**10,570.0**
		(23.8)	**(12.2)**	**(6.6)**	**(-1.9)**	**(3.3)**	**(13.3)**
8.	Secondary producers	92.0	102.0	105.0	3,577.0	3,860.0	3,400.0
		(-11.0)	(10.9)	(2.9)	(11.6)	(7.9)	(-11.9)
	Total (A)	**1,334.4**	**1,495.5**	**1,590.4**	**12,606.4**	**13,188.5**	**13,970.0**
		(20.5)	**(12.1)**	**(6.3)**	**(1.6)**	**(4.6)**	**(5.9)**
B.	**Sales**						
1.	Sales (Domestic)	1,210.1	1,214.6	1,246.4	7,570.5	7,740.0	8,496.7
		(34.8)	(0.4)	(2.6)	(-6.3)	(2.2)	(9.8)
2.	Imports	0.3	188.9	160.0	587.5	1,263.8	980.0
		(-99.8)	@	(-15.3)	(-24.9)	(115.1)	(-22.5)
	Total (B)	**1,210.4**	**1,403.5**	**1,406.4**	**8,158.0**	**9,003.8**	**9,476.7**
		(11.0)	**(16.0)**	**(0.2)**	**(-8.0)**	**(10.4)**	**(5.3)**
C.	**Year-end Stocks**	**41.4**	**80.8**	**123.2**	**522.0**	**446.1**	**472.7**
		(42.3)	**(95.2)**	**(52.5)**	**(-14.7)**	**(-14.5)**	**(6.0)**

* : Provisional. @ Shows very large percentage variation.

Note : Figures in brackets indicate percentages changes over previous year.

Source : Joint Plant Committees and Steel Authority of India Ltd.

an increase of 4.5 per cent in 1990-91. Among the SAIL plants, all the units except the one at Durgapur recorded higher rates of growth. The production of TISCO registered an increase of 4.8 per cent in 1991-92 as against a decline of 1.1 per cent in 1990-91. The output of pig iron too recorded a significant improvement at 1.59 million tonnes; it was higher by 6.3 per cent on top of the substantial rise of 12.1 per cent recorded in the previous year. However, the share of the secondary sector (which mainly consists of mini steel plants) in the total output of saleable steel declined to 24.3 per cent in 1991-92 from 29.3 per cent in the last year. This has to be viewed in the context of the import-compression measures initiated in April 1991 to conserve foreign exchange. Secondary producers of steel are mainly dependent on imported scrap as raw material. The share of the secondary sector in the production of pig iron too declined, though marginally, to 6.6 per cent in 1991-92 from 6.8 per cent in 1990-91.

During 1991-92, the off-take of saleable steel increased by 5.3 per cent which was lower than the substantial rise of 10.4 per cent recorded in the preceding year. Reflecting the lower rate of off-take, imports of saleable steel were lower by 22.5 per cent in 1991-92 as against a rise of 115.1 per cent in 1990-91. On the other hand, domestic sales of saleable steel increased by 9.8 per cent in 1991-92 as against a moderate rise of 2.2 per cent in 1990-91. The sale of pig iron during 1991-92 at 1,406.4 thousand tonnes was marginally higher by 0.2 per cent as against a substantial rise of 16.0 per cent recorded in the preceding year.

Despite the improvement in domestic off-take of saleable steel during 1991-92, the year-end stock at 472.7 thousand tonnes was higher by 6 per cent than the corresponding stock of 446.1 thousand tonnes at the end of 1990-91. The year-end stock of pig iron at 123.2 thousand tonnes was also higher than that of 80.8 thousand tonnes last year.

Under the industrial policy announced on July 24, 1991, the steel sector which includes mini steel plants, has also been exempted from licensing, subject to however, locational stipulations. Considerable additions to capacity is envisaged in the steel sector especially from the sponge iron segment.

(e) Electricity

The generation of electricity during 1991-92 recorded a higher growth rate of 8.5 per cent as compared to 7.8 per cent achieved last year. The realised level of output at 286.7 billion kwh exceeded the target of 283.5 billion kwh for the year as well (Table IV-12). The rise in electricity generation in 1991-92 was on account of better performance by thermal power plants which together registered a higher growth rate of 11.8 per cent in 1991-92 as compared to 4.5 per cent in 1990-91. Hydel power generation recorded a lower growth rate of 1.5 per cent (15.3 per cent last year). This may be attributed to lower water levels in important hydel reservoirs. On the other hand, nuclear power generation declined by 9.7 per cent (34.8 per cent growth rate last year). The lower growth in hydel power generation and sharp decline in nuclear power output was made up by

Table IV - 11 : Installed Plant Capacity

(Mega Watt)

As at the end of March	Thermal	Hydel	Nuclear	Non-Conventional	Total
1	2	3	4	5	6
1990	43,740	18,308	1,565	14	63,627
	(+10.3)	(+2.9)	(-)	(+250.0)	(+7.8)
1991	45,731	18,753	1,565	14	66,063
	(+4.6)	(+2.4)	(-)	(-)	(+3.8)
1992 (P)	48,066	19,189	1,785	30	69,070
	(+5.1)	(+2.3)	(+14.1)	(+114.3)	(+4.6)

P : Provisional.
Note : Figures in brackets indicate percentage variations over the previous year.
Source : Central Electricity Authority.

better utilisation of capacity by thermal power units. As a result, the average plant load factor (PLF) of thermal power plants increased from 53.8 per cent in 1990-91 to 55.3 per cent in 1991-92.

The actual power availability during the year 1991-92 at 266.4 billion kwh fell short of the estimated requirement of 289.0 billion kwh by 7.8 per cent (Table IV-12A). Thus the power deficit, i.e., the difference between demand and supply, remained more or less invariant over the years i.e. around 7.8 per cent. The deficit was the highest in the Eastern Region(15.2 per cent), followed by the Southern Region (10.4 per cent), North Eastern Region (8.8 per cent), Northern Region (5.9 per cent) and the Western Region (4.7 per cent). In the case of Eastern and Southern Regions, the power deficit declined from 18.3 per cent and 10.9 per cent in 1990-91 to 15.2 per cent and 10.4 per cent, respectively, in 1991-92; in all the other

Table IV-12 : Source-wise Targets, Generation and Achievement of Electric Power

(Billion Kilo Watt Hours)

Source	April-March								
	1989 -90			1990-91			1991-92 (P)		
	Target	Generation	Percentage Achievement	Target	Generation	Percentage Achievement	Target	Generation	Percentage Achievement
1	2	3	4	5	6	7	8	9	10
1. Thermal	182.3	178.5	97.9	201.4	186.5	92.6	211.7	208.6	98.5
	(+11.8)	(+13.3)		(+10.5)	(+4.5)		(+5.1)	(+11.8)	
2. Hydel	62.0	62.0	100.0	63.0	71.5	113.5	64.9	72.6	111.9
	(+6.9)	(+7.3)		(+1.6)	(+15.3)		(+3.0)	(+1.5)	
3. Nuclear	7.0	4.6	65.7	6.9	6.2	89.9	6.9	5.6	81.2
	(+27.3)	(-20.7)		(-1.4)	(+34.8)		(-)	(-9.7)	
4. Total	251.3	245.1	97.5	271.3	264.2	97.4	283.5	286.7	101.1
	(+10.9)	(+10.9)		(+8.0)	(+7.8)		(+4.5)	(+8.5)	

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.
Source : 1. Ministry of Planning & Programme Implementation.
2. Central Electricity Authority.

Table IV - 12A : All India/Region-wise Demand and Supply of Electricity and Deficit

(Billion Kilo Watt Hours)

Region	1989-90			1990-91			1991-92 (P)		
	Require-ment	Availability	Deficit (Percentage)	Requirement	Availability	Deficit (Percentage)	Requirement	Availability	Deficit (Percentage)
1	2	3	4	5	6	7	8	9	10.
Northern Region	74.2	70.0	5.4	79.8	75.5	5.4	87.1	82.0	5.9
Western Region	74.7	72.8	2.5	81.4	78.5	3.6	89.4	85.2	4.7
Southern Region	65.4	56.7	13.3	70.7	63.0	10.9	75.0	67.2	10.4
Eastern Region	30.6	26.0	15.0	32.7	26.7	18.3	34.1	28.9	15.2
North-Eastern Region	2.8	2.7	3.6	3.0	2.9	3.3	3.4	3.1	8.8
All India	247.7	228.2	7.9	267.6	246.6	7.8	289.0	266.4	7.8

Source : Central Electricity Authority.

regions, power deficit has increased during 1991-92.

During 1991-92, as against the programmed capacity addition of 3,810.8 mw, the actual capacity addition was only 79.4 per cent (3,026.5 mw) of the target. Thus the shortfall in capacity addition was 20.6 per cent in 1991-92. Source-wise, the maximum achievement in capacity addition (in relation to target) was in thermal plants (91.6 per cent), followed by hydel (57.8 per cent) and nuclear (46.8 per cent) plants.

(f) Crude Oil and Petroleum Refinery Products

The production of crude oil at 30,342 thousand tonnes during 1991-92 registered a decline of 8.1 per cent on top of 3.1 per cent fall in output in 1990-91 (Table IV-13). Both Oil and Natural Gas Commission (ONGC) as well as Oil India Limited (OIL), experienced decline in their production in both off-shore and on-shore areas. There was a substantial decline of 8.4 per cent in the production of crude oil by ONGC at 27,815 thousand tonnes during 1991-92 as against 30,372

Table IV - 13 : Crude Oil and Petroleum Refinery Products

(Thousand tonnes)

Item	April - March		
	1989-90	1990-91	1991-92(P)
1	2	3	4
A) **Crude Oil**			
a) Production (i+ii)	**34,087**	**33,021**	**30,342**
	(+6.4)	**(-3.1)**	**(-8.1)**
i) On-shore	12,371	11,830	11,383
	(+13.2)	(-4.4)	(-3.8)
ii) Off-shore	21,716	21,191	18,959
	(+2.9)	(-2.4)	(-10.5)
b) Imports	**19,490**	**20,699**	**24,000**
	(+9.4)	**(+6.2)**	**(+15.9)**
B) **Petroleum Refinery Products**			
a) Production	**48,690**	**48,562**	**48,349**
Of which :	**(+6.5)**	**(-0.3)**	**(-0.4)**
i) Naphtha	5,227	4,859	4,546
	(-2.8)	(-7.0)	(-6.4)
ii) Kerosene	5,700	5,471	5,339
	(+9.6)	(-4.0)	(-2.4)
iii) High Speed Diesel oil	17,737	17,185	17,404
	(+6.5)	(-3.1)	(+1.3)
b) Imports	**6,564**	**8,660**	**9,450**
Of which :	**(+1.1)**	**(+31.9)**	**(+9.1)**
i) Naphtha	–	–	–
ii) Kerosene	2,596	3,340	3,370
	(-11.2)	(+28.7)	(+0.9)
iii) High Speed Diesel Oil	3,048	4,680	5,330
	(+21.8)	(+53.5)	(+13.9)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.
Source : Ministry of Petroleum and Natural Gas.

thousand tonnes during the previous year. The on-shore production by ONGC at 8,854 thousand tonnes in 1991-92 was 3.6 per cent lower than 9,181 thousand tonnes produced during 1990-91. The off-shore production by ONGC at 18,961 thousand tonnes during 1991-92 also registered a sharp decline of 10.5 per cent from the previous year's production level of 21,191 thousand tonnes. The major reason for the decline in crude output, apart from agitations and oil-blockade in Assam, include reservoir constraints and slippages in projects. The production of crude oil by OIL at 2,528 thousand tonnes during 1991-92 was 4.6 per cent less than the previous year's output of 2,649 thousand tonnes.

The production at the Bombay high, which accounts for more than 65 per cent of ONGC's output, suffered a major decline in output owing to closing down of many wells having a high gas to oil ratio (GOR). The A.B. Dasgupta Report on the over-exploitation of wells recommended the closure of all the oil wells with gas to oil ratio of more than 700.

Besides this, the water cut problem in Gujarat, the disturbed law and order situation in Assam and the strike by ONGC employees, adversely affected the on-shore production of crude oil.

The total imports of crude oil at 24,000 thousand tonnes during 1991-92 were 15.9 per cent higher than 20,699 thousand tonnes imported last year. The output of petroleum refinery products at 48,349 thousand tonnes in 1991-92 was lower by 0.4 per cent from the last year's level of 48,562 thousand tonnes. On the other hand, the consumption of petroleum refinery products increased by 3.3 per cent in 1991-92 as compared with the rise of 1.7 per cent in 1990-91. Consequently imports of petroleum refinery products at 9,450 thousand tonnes in 1991-92 were also higher by 9.1 per cent than 8,660 thousand tonnes imported last year.

B. Capital Goods Industries

(a) Engineering Industries

The performance of engineering industry was poor during 1991-92. The composite index of output of engineering industry (comprising basic metals, machinery and machine tools, transport equipment, metal products and parts and electrical machinery) accounting for 30.5 per cent of total weight in the index of industrial production (IIP) registered a decline of 4.7 per cent as against a rise of 13.8 per cent last year. The growth trends in various industrial groups under engineering industry during the year 1991-92 exhibited marked slowdown. During 1991-92, among the engineering industries, electrical machinery registered the highest decline of 10.2 per cent, followed by metal products (-7.0 per cent), machinery and machine tools (-3.9 per cent), and transport equipment (-3.1 per cent). Similarly, growth in basic metals and alloy products decelerated to 5.0 per cent (10.7 per cent last year). The decline in the output of engineering goods has to be viewed against the background of the import compression measures in the form of imposition of high cost margins as high as 200 per cent on imports of goods under OGL. Besides, the exchange rate adjustment in July 1991 also pushed up the cost of imports, especially of import-intensive segments like electrical machinery. The tight credit and monetary policy, especially, restrictions on consumer finance, has affected the demand for many capital goods such as automobiles and 'white' goods. The performance of selected engineering industries during the year 1991-92 is reviewed briefly under three broad categories, viz.,

i) Heavy Mechanical Engineering Industries

The performance of automobile segment of heavy engineering group continued to be poor; their production and sales declined leading to rise in unsold stocks. The output of passenger cars and jeeps registered a larger decline of 8.4 per cent and 28.2 per cent, respectively, as compared with a decline of 1.1 per cent and 16.0 per cent last year. Similarly, production of commercial vehicles decelerated sharply to 2.8 per cent from 15.1 per cent last year. During the year 1991-92, the other items in heavy engineering group like two wheelers, diesel engines, road rollers and lifts registered a decline of 13.7 per cent (a rise of 6.4 per cent last year), 6.7 per cent (a decline of 2.5 per cent last year), 43.6 per cent (a decline of 8.8 per cent last year) and 10.8 per cent (a rise of 60.5 per cent) respectively. Similarly,

growth of structurals, railway wagons and tractors decelerated to 2.1 per cent (21.6 per cent last year), 4.7 per cent (6.3 per cent) and 13.3 per cent (19.9 per cent) respectively. However, output of steel casting recorded a higher growth rate of 4.9 per cent as compared to 3.7 per cent achieved last year (Table IV-14).

ii) Light Mechanical Engineering Industries

Among the selected light mechanical engineering industries production of bicycles and sewing machines accelerated to 5.0 per cent and 63.0 per cent, respectively, as compared with a decline of 0.5 per cent and 36.7 per cent last year (Table IV-15). On the other hand, output of typewriters and razor blades decelerated to 0.3 per cent (0.7 per cent last year) and 0.8 per cent (12.0 per cent), respectively. Similarly, output of wrist watches registered a sharp decline of 13.7 per cent as against a rise of 19.4 per cent last year (Table IV-15).

iii) Electrical Engineering Industries

The electrical engineering industries which is one of the most import-intensive industries registered the largest decline of 10.4 per cent in 1991-92 as against a rise of 22.6 per cent in 1990-91. Among the light electrical engineering goods, the output of electrical fans and domestic refrigerators

Table IV - 14 : Output of Selected Heavy Mechanical Engineering Industries

Item	Unit	April - March		
		1989-90	1990-91(P)	1991-92(P)
1	2	3	4	5
1. Automobiles				
i) Passenger Cars	'000 Nos.	181.6	179.6	164.6
		(+12.8)	(-1.1)	(-8.4)
ii) Commercial Vehicles	-"-	126.7	145.8	149.9
		(+3.4)	(+15.1)	(+2.8)
iii) Jeeps	-"-	45.6	38.3	27.5
		(+21.3)	(-16.0)	(-28.2)
2. Scooters, Motor Cycles	-"-	1,750.4	1,863.2	1,607.5
& Mopeds		(+4.5)	(+6.4)	(-13.7)
3. Structurals	'000 Tonnes	120.7	146.8	149.8
		(+11.9)	(+21.6)	(+2.1)
4. Steel Casting **	-"-	361.8	375.1	393.3
		(+8.7)	(+3.7)	(+4.9)
5. Diesel Engines **	'000 Nos.	1,773.7	1,729.2	1,613.3
		(-4.5)	(-2.5)	(-6.7)
6. Railway Wagons (in terms	-"-	22.2	23.6	24.7
of four wheelers)		(+3.7)	(+6.3)	(+4.7)
7. Road Rollers	Nos.	375.0	342.0	193.0
		(-33.5)	(-8.8)	(-43.6)
8. Lifts	-"-	2,024.0	3,248.0	2,896.0
		(-8.4)	(+60.5)	(-10.8)
9. Tractors	'000 Nos.	125.1	150.0	170.0
		(+14.0)	(+19.9)	(+13.3)

P : Provisional.
** : Includes production from the small-scale sector.
Note : Figures in brackets indicate percentage variations over the corresponding period of the preceding year.
Source : : CSO and Ministry of Industry, Government of India.

Table IV -15 : Output of Selected Light Mechanical Engineering Industries

Item	Unit	April-March		
		1989-90	1990-91 (P)	1991-92(P)
1	2	3	4	5
1. Typewriters	000'Nos.	115.1	115.9	116.2
		(-5.9)	(+0.7)	(+0.3)
2. Bicycles	-do-	6,797.1	6,763.6	7,103.2
		(+1.4)	(-0.5)	(+5.0)
3. Sewing Machines	-do-	146.6	92.8	151.2
		(-38.5)	(-36.7)	(+63.0)
4 Razor Blades	Million Nos.	3,009.5	3,369.6	3,395.2
		(+8.8)	(+12.0)	(+0.8)
4. Wrist Watches	-do-	9.8	11.7	10.1
		(+8.9)	(+19.4)	(-13.7)

P : Provisional.
Note : Figures in brackets denote percentage variations over the previous year.
Source : : CSO and Ministry of Industry, Government of India.

fell by 1.9 per cent and 7.6 per cent,respectively, as against a rise of 12.5 per cent and 21.9 per cent during 1990-91. Similarly, output of radio receivers registered a larger decline of 56.0 per cent as compared to fall of 2.7 per cent last year. On the other hand, output of storage batteries, dry cells, incandescent lamps and flourescent lamps accelerated to 1.5 per cent (-5.0 per cent last year), 5.2 per cent (-3.1 per cent),13.4 per cent (1.3 per cent) and 22.7 per cent (6.2 per cent) respectively.

Of the heavy electrical engineering items, the output of electrical motors declined by 3.3 per cent as against a rise of 15.4 per cent last year. A 5.9 per cent fall was recorded in the output of power transformers, on top of 6.6 per cent decline last year. Output of power driven pumps registered a lower growth rate of 4.8 per cent as compared with a rise of 5.7 per cent last year (Table IV-16).

(b) Metallurgical Industries (other than Iron & Steel)

i) Aluminium

The production of aluminium in the country is expected to reach a record level of 514 thousand tonnes in 1991-92 as against the projected demand of 457 thousand tonnes. However, this was lower than the target of 521 thousand tonnes and the installed capacity of 610 thousand tonnes (Table IV-17).

As the country has become surplus in aluminium, emphasis has been placed on its exports. During 1991-92, exports of alumina and aluminium are expected to be 4 lakh tonnes and 68,000 tonnes respectively. Aluminium industry has been delicensed under the Industrial Policy of 1991. Moreover the industry has been included under 34 select industries (Annexure III of Industrial Policy Statement, 1991) for automatic approval for 51 per cent foreign equity participation and technical collaboration. Consequently, substantial additions to capacity are expected to take place in the coming years.

ii) Copper

During 1991-92, Hindustan Copper Ltd. (HCL) produced 45.6 thousand tonnes of refined copper as against 40.6 thousand tonnes last year. HCL is the sole indigenous producer of primary copper in the country and has four operating units, viz., Khetri Copper Complex, Indian Copper Complex, Malanjkhand Copper Project and Taloja Copper Project. The company produces nearly 50,000 tonnes of copper annually, which falls short of the

Table IV - 16 : Output of Selected Electrical Engineering Industries

Item	Unit	April-March		
		1989-90	1990-91 (P)	1991-92(P)
1	2	3	4	5
A) Light Electrical Engineering				
1. Electrical Lamps				
i) Incandescent	Million Nos.	251.9	255.1	289.3
		(+1.8)	(+1.3)	(+13.4)
ii) Fluorescent	- do -	56.3	59.8	73.4
		(+21.9)	(+6.2)	(+22.7)
2. Electrical fans**	- do -	4.8	5.4	5.3
		(-26.2)	(+12.5)	(-1.9)
3. Radio Receivers	'000 Nos.	668.1	649.9	285.8
		(-35.5)	(-2.7)	(-56.0)
4. Storage Batteries	Million Nos.	3,842.7	3,652.3	3,708.9
		(-17.0)	(-5.0)	(+1.5)
5. Dry Cells	Million Nos.	1,274.2	1,234.9	1,298.6
		(-5.7)	(-3.1)	(+5.2)
6. Domestic Refrigerators	'000 Nos.	1,051.8	1,282.6	1,185.7
		(+11.0)	(+21.9)	(-7.6)
B) Heavy Electrical Engineering				
1. Power Transformers	Million K.V.A.	37.8	35.3	33.2
		(+37.0)	(-6.6)	(-5.9)
2. Electric Motors	Million H.P.	5.2	6.0	5.8
		(-1.9)	(+15.4)	(-3.3)
3. Power Driven Pumps	'000 Nos.	480.4	508.0	532.3
		(-19.1)	(+5.7)	(+4.8)

P : **Provisional.**
** : **Includes production from the small-scale sector.**
Note : **Figures in brackets represent percentage variations over the previous year.**
Source : : CSO and Ministry of Industry, Government of India.

total requirement of nearly 1.8 lakh tonnes per annum in the country. This necessitates import of copper, which is done through the Minerals and Metals Trading Corporation of India Ltd. (MMTC). In order to boost copper production, the Government has taken new policy measures, which include delicensing of all mineral processing industries, creation of secondary capacity and expansion and development of the existing units during the Eighth Plan period.

iii) Zinc

The production of zinc increased by 39.5 per cent to 102 thousand tonnes (estimated) in 1991-92 as compared with 73 thousand tonnes in 1990-91.

iv) Lead

During 1991-92 production of lead increased by 15.7 per cent to 32 thousand tonnes (estimated) from 27 thousand tonnes in 1990-91.

The indigenous production of both zinc and lead is able to meet only part of the demand ; hence the balance is met through imports by MMTC. However, consequent upon the commissioning of a new integrated project by Hindustan

Table IV - 17 : Production of Non-ferrous Metals

(Thousand tonnes)

Item	April-March		
	1989-90	1990-91	1991-92 (P)
1	2	3	4
Virgin Metals			
1 Aluminium Ingots	432.7	448.9	514.2
	(+22.2)	(+3.7)	(+14.5)
2 Copper Metal (Cathodes)	41.1	40.6	45.6
	(+3.8)	(-1.2)	(+12.3)
3. Zinc	67.1	73.1	102.0
	(+9.6)	(+8.9)	(+39.5)
4. Lead	21.4	27.4	31.7
	(+15.1)	(+28.0)	(+15.7)
Semi-Manufactures			
1. Aluminium			
a) Sheets and Circles Rolled	80.6	79.9	84.1
Products	(-12.8)	(-0.9)	(+5.3)
b) Wire Rods for Aluminium	46.8	59.7	58.2
Conductor Steel Reinforced (ACSR) / (AAC)	(+4.0)	(+27.6)	(-2.6)
2. Copper/Brass Sheets & Circles Rolled products	29.7	31.6	29.4
	(-35.0)	(+6.4)	(-6.7)

P : Provisional.
Note : Figures in brackets represent percentage variations over the preceding year.
Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

Zinc Ltd., the country is expected to reach self-sufficiency by 1993-94.

C. Intermediate Goods Industries

(a) Jute Textiles

The performance of jute industry during 1991-92 was not satisfactory. During the year 1991-92 production of jute textiles declined by 10.6 per cent as against a rise of 9.6 per cent in 1990-91 (Table IV-18). This is mainly attributable to the 50- day strike in the jute industry in West Bengal during January - March 1992. Category-wise, production of hessian and carpet backing recorded a smaller rise of 2.2 per cent and 26.3 per cent, respectively as compared to the decline of 4.6 per cent and 41.8 per cent, respectively, during the previous year. However, production of sacking showed a sharp decline of 19.6 per cent in 1991-92 compared to a rise of 20.5 per cent during the year 1990-91.

Consumption of jute goods also fell sharply by 12.5 per cent in 1991-92 as against the rise of 11.4 per cent in 1990-91. Category-wise, a major decline in consumption was registered in carpet backing (22.4 per cent), followed by that in sacking (17.7 per cent). The decline in consumption of jute textiles has to be viewed against the background of competition from synthetic packaging material. Demand for jute goods is sustained mainly through the Jute Packaging Order, i.e. for mandatory packaging of food grains, sugar, cement and fertilizers. The heavy loss in export as a result of collapse of the rupee trade also added to the slump in demand.

(b) Rubber and Rubber Manufactures

Total production of rubber (natural, synthetic and reclaimed) at 478.6 thousand tonnes in 1991-92 was higher by 8.6 per cent than 440.5 thousand tonnes produced last year. However, this was lower

Table IV - 18 : Jute Textiles

(Thousand tonnes)

Item	Year (April-March)	Hessian	Sacking	Carpet Backing	Others	Total
1	2	3	4	5	6	7
Production	1989-90	347.2	670.6	34.0	252.5	1,304.3
		(+10.9)	(-15.4)	(-4.5)	(+2.4)	(-6.0)
	1990-91	331.4	808.1	19.8	270.6	1,429.9
		(-4.6)	(+20.5)	(-41.8)	(+7.2)	(+9.6)
	1991-92(P)	338.6	650.1	25.0	264.5	1,278.2
		(+2.2)	(-19.6)	(+26.3)	(-2.3)	(-10.6)
Consumption	1989-90	178.1	684.0	6.3	240.4	1,108.8
		(+10.7)	(-10.4)	(+40.0)	(+9.3)	(-3.5)
	1990-91	192.3	788.5	4.9	249.0	1,234.7
		(+8.0)	(+15.3)	(-22.2)	(+3.6)	(+11.4)
	1991-92(P)	184.0	648.6	3.8	243.9	1,080.3
		(-4.3)	(-17.7)	(-22.4)	(-2.0)	(-12.5)
Year-end Stocks	1989-90	24.6	22.5	4.5	11.9	63.5
		(-10.5)	(-48.3)	(-8.2)	(-35.0)	(-32.6)
	1990-91	27.6	22.8	3.7	14.4	68.5
		(+12.2)	(+1.3)	(-17.8)	(+21.0)	(+7.9)
	1991-92 (P)	20.3	18.2	2.1	9.9	50.5
		(-26.4)	(-20.2)	(-43.2)	(-31.3)	(-26.3)

P : Provisional.
Note : Figures in brackets represent percentage variations over the preceding year.
Source : Ministry of Textiles, Office of the Jute Commissioner.

than the growth rate of 10.6 per cent during 1990-91 (Table IV-19). The slowdown in 1991-92 was largely a reflection of a lower growth rate in production of synthetic and reclaimed rubber at 0.7 per cent and 1.1 per cent, respectively,as against 7.1 per cent and 12.6 per cent recorded in the previous year. Although the production of natural rubber during the year touched an all-time high of 366.7 thousand tonnes, the production of synthetic rubber remained more or less stagnant at 57.7 thousand tonnes whereas production of reclaimed rubber (from scrap tyres) at 54.2 thousand tonnes showed a marginal increase (Table IV-19).

Total consumption of rubber during 1991-92 at 539.9 thousand tonnes was higher by 12.8 per cent than the total indigenous production at 478.6 thousand tonnes. However the rate of growth of consumption of rubber during 1991-92 (3.5 per cent) was about two-fifth of the growth of consumption (8.3 per cent) in 1990-91. This is attributed to reduced demand from tyre units and increased demand for retreaded tyres. During 1991-92, production of automobile tyres recorded a lower rate of growth of 7.1 per cent (16.7 per cent last year) (Table IV-20).

The gap between domestic production and consumption was met mainly through imports (mainly in the form of synthetic rubber). During 1991-92, 54.3 thousand tonnes of rubber were imported, 47.7 per cent lower than 103.8 thousand tonnes imported in the previous year.

There was significant decline in the year-end stocks by 10.0 per cent in 1991-92 as against a rise of 23.9 per cent in the previous year. The decline in the stocks was largely due to reduction in imports of all categories of rubber.

Table IV - 19 : Rubber

(Thousand tonnes)

Item	April-March		
	1989-90	1990-91	1991-92
1	2	3	4
PRODUCTION	**398.4**	**440.5**	**478.6**
	(+12.4)	**(+10.6)**	**(+8.6)**
Natural	297.3	329.6	366.7
	(+14.7)	(+10.9)	(+11.3)
Synthetic	53.5	57.3	57.7*
	(-1.7)	(+7.1)	(+0.7)
Reclaimed	47.6	53.6	54.2*
	(+16.1)	(+12.6)	(+1.1)
IMPORTS	**83.4**	**103.8**	**54.3**
	(-11.1)	**(+24.5)**	**(-47.7)**
Natural	44.4	51.9	14.5*
	(-25.8)	(+16.9)	(-72.1)
Synthetic	39.0	51.9	39.8*
	(+14.7)	(+33.1)	(-23.3)
TOTAL AVAILABILITY	**481.8**	**544.0**	**532.9**
	(-8.9)	**(+12.9)**	**(-2.0)**
Natural	341.7	381.6	381.2
	(-10.8)	(+11.7)	(-0.1)
Synthetic	92.5	109.2	97.5
	(-9.0)	(+18.1)	(-10.7)
Reclaimed	47.6	53.2	54.2
	(+8.2)	(+11.8)	(+1.9)
CONSUMPTION	**481.7**	**521.5**	**539.9**
	(+9.7)	**(+8.3)**	**(+3.5)**
Natural	341.8	364.3	380.2
	(+8.9)	(+6.6)	(+4.4)
Synthetic	93.6	104.7	105.7
	(+11.2)	(+11.9)	(+1.0)
Reclaimed	46.3	52.5	54.0*
	(+12.4)	(+13.4)	(+2.9)
CONSUMPTION MET THROUGH IMPORTS (PERCENTAGE)	**17.3**	**19.9**	**10.1**
Natural	13.0	14.3	3.8
Synthetic	41.7	49.5	37.7
YEAR-END STOCKS	**86.5**	**107.2**	**96.5**
	(-0.1)	**(+23.9)**	**(-10.0)**
Natural	69.6	86.4	81.3
	(+0.4)	(+24.1)	(-5.9)
Synthetic	13.5	17.3	11.5
	(-6.9)	(+28.1)	(-33.5)
Reclaimed	3.4	3.5	3.7
	(+21.4)	(+2.9)	(+5.7)

* : provisional.
Note : Figures in brackets represent percentage variations over the preceding year.
Source : Rubber Board, Government of India.

Table IV-20 : Production of Tyres, Tubes and Footwear

(Lakh numbers)

Year (April - March)	Automobile Tyres		Automobile Tubes	Cycle Tyres	Rubber Footwear
	Total	of which Giant Tyres			
1	2	3	4	5	6
1988-89	167.0	56.4	145.0	260.0	353.0
	(+14.9)	(+24.0)	(+13.5)	(+11.6)	(-14.1)
1989-90	172.0	57.9	138.0	256.0	362.0
	(+3.0)	(+2.7)	(-4.8)	(-1.5)	(+2.5)
1990-91(P)	200.7	N.A.	145.2	248.0	305.0
	(+16.7)		(+5.2)	(-3.1)	(-15.7)
1991-92 (P)	215.0*	N.A.	155.0	265.0	390.0
	(+7.1)		(+6.7)	(+6.9)	(+27.9)

N.A. : Not Available..
P : Provisional.
* : Estimated Production.
Note : Figures in brackets represent percentage variations over the preceding year.
Source : Department of Industrial Development, Ministry of Industry.

A number of measures are taken to enhance production of natural rubber. These include granting of financial and technical assistance for new planting and replanting.

There was no change in the fair price fixed in January 1991, i.e. Rs. 2,145 per quintal for RMA-IV grade. However, the market price fluctuation has necessitated price support operations by STC from February 1991 to the end of April 1991 and again from October 1991 to the middle of March 1992. During the lean production period STC had to release rubber to the domestic market to arrest the upward trend in prices and to ensure adequate supply. The simple average price of RMA-IV grade rubber during 1991-92 was Rs. 2,141 as against Rs. 2,129 in the previous year.

(c) Chemicals and Chemical Products

The performance of chemicals and chemical products group decelerated during 1991-92. The group, which had recorded a rate of growth of 6.1 per cent in 1989-90, decelerated to 2.7 per cent in 1990-91 and to 2.4 per cent in 1991-92.

i) Fertilizers

Among the chemicals group, production of fertilizers (nitrogenous and phosphatic) has improved significantly during 1991-92; total output of fertilizers increased from 91.5 lakh tonnes in 1990-91 to 98.05 lakh tonnes in 1991-92 registering a rate of growth of 7.2 per cent (6.7 per cent last year) (Table IV-21). The improvement in fertilizer production during 1991-92 was mainly due to better performance by phosphatic fertilizer units; its production accelerated to 21.2 per cent in 1991-92 as compared with the rise of 16.5 per cent last year. On the other hand, the rate of growth of nitrogenous fertilizers decelerated from 4.1 per cent in 1990-91 to 3.0 per cent in 1991-92. The better performance of phosphatic fertilizer units is also reflected in their improved capacity utilisation. Capacity utilisation of phosphatic fertilizers increased from 75 per cent in 1990-91 to 94 per cent in 1991-92. In the case of nitrogenous fertilizers, capacity utilisation increased from 85.8 per cent in 1990-91 to 88.1 per cent in 1991-92.

Notwithstanding the improved performance, the industry faces some uncertainty. The issues of fertilizer pricing and fertilizer subsidy were predominant in 1991-92. With a view to achieving the twin objectives of making fertilizers available to the farmers at affordable prices and ensuring reasonable rate of return on investment to the manufacturers, the Government had introduced the Retention Price - cum- Subsidy Scheme with effect from November 1, 1977 which was later extended

Table IV-21 : Production of Major Chemicals and Chemical Products

(Thousand tonnes)

Item	April-March		
	1989-90	1990-91	1991-92 (P)
1.	2.	3.	4.
1. Nitrogenous Fertilizers (N Content)	6,764.6	7,045.0	7,257.3
	(+0.8)	(+4.1)	(+3.0)
2. Phosphatic Fertilizers (P_2O_5)	1,803.3	2,101.3	2,547.4
	(-20.3)	(+16.5)	(+21.2)
3. Caustic Soda	922.4	978.2	1,027.4
	(+2.6)	(+6.0)	(+5.0)
4. Soda Ash	1,364.6	1,383.6	1,405.5
	(+15.5)	(+1.4)	(+1.6)
5. Paints and Varnishes*	342.1	314.0	302.0
	(+1.8)	(-8.2)	(-3.8)
6. Soaps- all kinds*	1,525.1	1,559.8	1,547.3
	(+3.1)	(+2.3)	(-0.8)
7. Detergents- all kinds (Organised Sector)	239.4	246.3	248.3
	(+30.9)	(+2.9)	(+0.8)
8. Drugs and Pharmaceuticals (Rs. crore)			
i) Bulk Drugs	640.0	730.0	790.0 (E)
	(+16.4)	(+14.1)	(+8.2)
ii) Formulations	3,420.0	3,840.0	4,200.0(E)
	(+8.6)	(+12.3)	(+9.4)
9. Petrochemicals			
i) Low Density Polyethelene (LDPE)	85.3	108.7	106.0
	(+7.2)	(+27.4)	(-2.5)
ii)PVC	136.9	147.0	180.0
	(+14.3)	(+7.4)	(+22.4)
iii) DMT/PTA	248.5	278.4	285.0
	(+116.3)	(+12.0)	(+2.4)
iv) Caprolactum	20.6	26.3	40.0
	(+21.9)	(+27.7)	(+52.1)

P : Provisional. E : Estimated.
* : Includes production in small-scale sector.
Note : Figures in brackets represent percentage variations over the preceding year.
Sources : 1. Office of the Economic Adviser, Ministry of Industry.
2. Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers.
3. Department of Fertilizers, Ministry of Chemicals and Fertilizers.

to phosphatic and other complex fertilizers with effect from February 1979 and for SSP from May 23, 1992. Apart from this, two more subsidies viz., subsidy on imported fertilizers and freight subsidy, were borne by the Government. However, over the years, there has been a phenomenal increase in subsidy; it increased from Rs.375 crore in 1981-82 to Rs. 6,219 crore in 1991.

In order to contain the fertilizer subsidy within manageable limits, the selling prices of fertilizers were raised by 40 per cent with effect from July 25, 1991; but soon the increase was reduced to 30 per cent, effective August 14, 1991. In January 1992, a Joint Parliamentary Committee (JPC) was set up to estimate the revised price structure for fertilizers. In its report submitted on August 20, 1992, JPC had recommended partial decontrol of fertilizers. Accepting the major recommendations of the JPC, the Government announced on August 25,1992 decontrol of prices and distribution of imported fertilizers both phosphatic and potassic.

Urea, however, will remain under price control. Similarly, nitrogenous fertilizers, calcium ammonium nitrate, ammonium sulphate and ammonium chloride which had been decontrolled in July 1991 have again been brought under control. To compensate for the sharp rise in the prices of imported fertilizers, procurement prices of food grains will be adjusted.

ii) Organic and Inorganic Chemicals

The Government has delicensed a number of industries in the chemical industry; industries such as soda ash and methanol have been totally delicensed. Most of the other chemicals are exempted from licensing provisions, provided their investment is less than Rs. 50 crore and they fall within the parameters of locational policy.

The production of caustic soda estimated at 10.3 lakh tonnes was higher by 5.0 per cent (6.0 per cent last year). The current installed capacity of the industry is 11.38 lakh tonnes and the industry continues to remain under compulsory licensing The production of soda ash which finds major application in industries like soaps, detergents, glass silicate, chemicals, etc. did not perform well in 1991-92. Production of soda ash increased by 1.6 per cent in 1991-92 as compared with a rise of 1.4 per cent in 1990-91. Production of consumer goods such as paints and varnishes, soaps and detergents, however, declined during 1991-92.

iii) Drugs and Pharmaceuticals

The drugs and pharmaceuticals group has shown a steady growth during the last decade. During 1991-92 the production of bulk drugs and formulations in nominal rupee terms at Rs. 790 crore and Rs. 4,200 crore respectively, registered a growth of 8.2 per cent and 9.4 per cent respectively over the previous year. Drug industry is included under the list for automatic approvals up to 51 per cent in respect of foreign investment/ technical collaboration.

iv) Petrochemicals

Petrochemical industry has emerged as a major thrust area of development. The industry is mainly based on products derived from petroleum and natural gas and is highly capital/technology intensive. The present range of products includes various petrochemical items, such as LDPE, PVC, PSP, PFY, caprolactum, DMT/PTA, etc. Production of plastic items such as PVC registered a record growth of 22.4 per cent in 1991-92 on the top of the rise of 7.4 per cent in 1990-91. Similarly, production of caprolactum, which is used as an intermediate in the manufacture of various petrochemical items, also registered a rise of 52.1 per cent over and above the rise of 27.7 per cent in 1990-91. Petrochemical industry is now delicensed and new capacities are envisaged at Auraiya , Hazira, Gandhar, Vizag, Haldia, and Bombay (Thane).

D. Consumer Goods Industries.

(a) Sugar

According to tentative estimates, sugar production in the 1991-92 season (October-September) is expected to touch a record level of 134 lakh tonnes as compared to 120 lakh tonnes in the previous season. The substantial increase in sugar production could ***inter alia*** be reflective of higher production of sugarcane and increase in area under sugarcane crop. The sugarcane production in 1991-92 is estimated to reach a new high of 244.8 million tonnes as compared with 240.3 million tonnes in the previous sugarcane season.

Sugar production during 1991-92 season upto end-June 1992 at 132.23 lakh tonnes has been markedly higher by 13.60 lakh tonnes or by 11.5 per cent than the production of 118.63 lakh tonnes during the corresponding period of the previous season. Taking into account the carry-over stocks of 33.30 lakh tonnes from the previous season, the total availability in 1991-92 (till June 30, 1992) was 165.53 lakh tonnes as against 140.84 lakh tonnes in the corresponding period of the previous season. During the current season, total off-take till June 30, 1992 at 88.33 lakh tonnes was higher by 8.45 lakh tonnes or by 10.6 per cent than the off-take of 79.88 lakh tonnes in the corresponding period of the previous season. The sugar stocks at end-June 1992 stood at 77.20 lakh tonnes as against 60.96 lakh tonnes at end-June 1991 (Table IV-22).

Table IV-22 : Availability and Consumption of Sugar (October-September)

(Lakh tonnes)

Items	1988-89	1989-90	1990-91	1990-91 Oct. 1, 1990 to June 30, 1991	1991-92 Oct. 1, 1991 to June 30, 1992
1	2	3	4	5	6
1. Opening Stock	24.31 (0.30)	12.29	22.21 (0.80)	22.21 (0.80)	33.30
2. Production	87.52	109.87	120.46	118.63	132.23
3. Import	-	2.42	-	-	-
4. Total Supply (1+2+3)	111.83	124.58	142.67	140.84 (0.80)	165.53
5. Internal Consumption	99.36 (0.30)	102.14 (1.62)	107.14 (0.80)	78.49 (0.45)	84.26
6. Exports	0.18	0.23	2.23	1.39	4.07
7 .Total of-take (5+6)	99.54	102.37	109.37	79.88	88.33
8. Closing Stock (4-7)	12.29	22.21 (0.80)	33.30	60.96	77.20

Note : Figures in brackets relate to imported sugar which has been included in the items.
Source : Indian Sugar Mills Association.

Policy Measures.

To give a boost to sugar production, the Government announced incentives for early crushing season during 1991-92 sugar season. Thus, it increased the free sale sugar quota to 72 per cent of production during October 1 to November 15, 1991 as against the normal 55 per cent.

The Government continued the practice of announcing the Statutory Minimum Price (SMP) of sugarcane well in advance of the sowing season. For the 1991-92 season, the SMP was raised by Rs.3 per quintal to Rs.26 per quintal linked to the basic recovery of 8.5 per cent with proportionate premium of 30.588 paise per quintal for every 0.1 per cent increase above that level.

The zone-wise ex-factory price of levy sugar was fixed based on minimum cane price of Rs.26.00 per quintal of sugarcane for the 1991-92 season. The all India average ex-factory price of levy sugar for the 1991-92 season works out to Rs.580 per quintal. The ratio of levy and free sale sugar has been continued at 45:55 for 1991-92 season. Total releases of sugar during the 1991-92 season upto July 1992 stood at 94.21 lakh tonnes (comprising 35.46 lakh tonnes of levy sugar and 58.75 lakh tonnes of free sale sugar) as against 92.77 lakh tonnes (comprising 33.82 lakh tonnes of levy sugar and 58.95 lakh tonnes of free sale sugar) during the corresponding period of the previous season. The releases for free sale sugar of 58.75 lakh tonnes during 1991-92 (Upto July 1992) were lower by 0.20 lakh tonnes or by 0.3 per cent than in 1990-91 (58.95 lakh tonnes). Data on sugar releases both for levy and free sale for 1991-92 together with the data for the previous years are given in Table IV-23. The issue price of levy sugar under PDS was raised by 80 paise a kg. to Rs. 6.90 per kg. with effect from January 21, 1992. The excise duty on free sale sugar, which had remained unchanged since 1983, was raised on July 24, 1991 from existing level of Rs.50 to Rs.71 per quintal - an increase of Rs.21 per quintal.

Licensing Policy

The Government revised the norms for licensing of new as well as expansion of the existing sugar factories. The salient features of the revised guidelines are as follows :

1. The basic criterion for grant of licences for new units will be their viability mainly from the point of view of cane availablility and potential for development of cane in the area.

Table IV-23 : Sugar releases during 1989-90, 1990-91 and 1991-92 season.

(Lakh tonnes)

Month	1989-90			1990-91			1991-92		
	Levy	Free-sale	Total	Levy	Free-sale	Total	Levy	Free-sale	Total
October	4.32	6.00	10.32	3.83	6.25	10.08	3.96	7.50	11.46
November	3.32	6.00	9.32	3.35	6.00	9.35	3.50	6.50	10.00
December	3.32	5.50	8.82	3.33	5.75	9.08	3.50	5.90	9.40
January	3.32	5.00	8.32	3.33	5.75	9.08	3.50	5.50	9.00
February	3.32	5.50	8.82	3.33	5.75	9.08	3.50	5.45	8.95
March	3.32	5.50	8.82	3.33	5.75	9.08	3.50	545	8.95
April	3.32	6.00	9.32	3.33	5.60	8.93	3.50	5.40	8.90
May	3.32	6.50	9.82	3.33	5.60	8.93	3.50	5.55	9.05
June	3.32	6.00	9.32	3.33	6.25	9.58	3.50	5.75	9.25
July	3.32	6.00	9.32	3.33	6.25	9.58	3.50	5.75	9.25
August	3.32	6.00	9.32	3.50	6.50	10.00			
September	3.82	6.25	10.07	3.50	6.50	10.00			
Total	**41.34**	**70.2**	**111.59**	**40.82**	**71.95**	**112.77**			
Monthly Average	**3.44**	**5.85**	**9.29**	**3.40**	**5.99**	**9.39**			

2. Licenses for new factories will be issued subject to the condition that the distance between the proposed unit and the existing factory should be 25 kms. The distance criteria can, however, be relaxed to 15 kms. in special cases where sugarcane availablility is adequate to justify such location.

3. The new sugar factories will continue to be licensed for a new economic capacity of 2,500 tonnes of cane crused per day (tcd). There will not be any maximum limit on such capacity.

4. Priority will continue to be given to expand the capacity of those sugar factories with less than 2,500 tcd. to expand to the minimum economic capacity of 2,500 tcd.

5. In areas specified as industrially backward areas by the Government of India and certified by the Indian Council of Agricultural Research to be agro-climatically suited for development of sugarcane, the licensing of new sugar factories in the co-operative and public sectors would be allowed for an initial capacity of 1,750 tcd. subject to the condition that the capacity would expand to 2,500 tcd. within a period of five years of going into production.

6. All new licences will be issued with a stipulation that cane price will be payable on the basis of sucrose content of sugarcane.

7. In case of more than one application received from any zone of operation, priority will be given to the application received earlier. However, in such cases also, preference will be given to the Co-operative sector followed by the public sector and the private sector, in that order, even though the applications of the first two sectors may be of later date.

8. While granting licences for new units and expansion projects, additional capacity to be created upto the end of the Eighth Plan (1996-97) will be kept in view.

Sugar Development Fund

Sugar Development Fund (SDF) set up under Sugar Development Fund Act, 1982, is funded by transfer of proceeds of sugar cess levied (at Rs.14 per quintal) and collected under Sugar Cess Act, 1982 on sugar produced in the country. The SDF is utilised by the Government of India for sanction of loans for rehabilitation/ modernisation of sugar industry, development of sugarcane by sugar factories and for granting funds to established institutions for research projects aimed at development of sugar industry. Since 1982 upto end-March 1991, Rs.901 crore have been credited to the Fund. Under the cane development scheme, till November 15, 1991, an amount of Rs.317.53 crore has been sactioned to 280 mills out of which Rs.191.88 crore have been disbursed. Under modernisation scheme, upto November 15, 1991, an amount of Rs.270.63 crore has been sanctioned to 103 sugar mills out of which

Rs.172.69 crore have been disbursed. In addition, Rs.30.10 crore have been sanctioned as grants-in-aid for research schemes undertaken by different institutions. Further, the costs of maintenance of buffer stock of five lakh tonnes created from January 1, 1982 were borne by funds drawn from the SDF.

Levy Sugar Price Equalisation Fund

The levy Sugar Price Equalisation Fund Act, 1976 has been in force from April 1, 1976. During 1991-92, a sum of Rs.1.32 crore has been recovered from the sugar mills and credited to the Fund bringing the total amount thus credited since the commencement of the Fund to Rs.16.74 crore. In addition, the Food Corporation of India under order of courts of law, has so far collected by way of such recovery from sugar mills, a sum of Rs.22.93 crore.

(b) Textiles - Cotton and Synthetics

The total production of cotton and blended yarn during 1991-92 at 1,782 million kilograms was lower by 0.7 per cent as against the production of 1,795 million kilograms in 1990-91 (Table IV-24). While the production of blended and mixed yarn and 100 per cent man-made fibre spun yarn increased by 4.2 per cent and 4.3 per cent, respectively, that of cotton yarn declined by 1.8 per cent during 1991-92.

Table IV - 24 : Production, Consumption and Stock Position of Yarn

(Million Kgs.)

Item	April - March 1989-90	1990-91	1991-92 (P)
1	2	3	4
Installed Capacity (In Millions) (Spindles)	26.59	26.67	27.27
Capacity Utilisation (%) (Spindles)	73	78	76
A. Production (i + ii + iii)	**1,639**	**1,795**	**1,782**
	(+4.9)	**(+9.5)**	**(-0.7)**
i) Cotton Yarn	1,367	1,467	1,440
	(+5.0)	(+7.3)	(-1.8)
ii) Blended/Mixed Yarn	177	213	222
	(+4.1)	(+20.3)	(+4.2)
iii) 100 per cent Man- made Fibre Spun Yarn	**95**	**115**	**120**
	(+4.4)	**(+21.1)**	**(+4.3)**
B. Domestic Consumption (All Yarn) (i+ii)	**1,305**	**1,377**	**1,314**
	(+3.4)	**(+5.5)**	**(-4.6)**
i) Mill Sector*	307	291	190
	(-1.6)	(-5.2)	(-34.7)
ii) Decentralised Sector@	998	1,086	1,124
	(+5.1)	(+8.8)	(+3.5)
C. Exports (Cotton Yarn)			
i) Quantity	62	90	126
	(+55.0)	(+45.2)	(+40.0)
ii)Value (Rs.crore)	364	516	990
	(+54.2)	(+41.8)	(+91.9)
D. Year-end Stocks (Unsold)	36.3	58.3	59.7
	(+16.3)	**(+60.6)**	**(+2.4)**

P : Provisional.
* : Relates to consumption for weaving cloth only.
@ : Including deliveries of yarn to hosiery and other purposes.

Domestic consumption of yarn fell by 4.6 per cent during 1991-92 as compared with a rise of 5.5 per cent last year. Consumption of yarn in mill sector recorded a substantial decline of 34.7 per cent in 1991-92 as compared with a decline of 5.2 per cent and 1.6 per cent, respectively, in 1990-91 and 1989-90. However, the consumption of yarn by the decentralised sector recorded an increase of 3.5 per cent in 1991-92 which was lower than the rate of growth of 8.8 per cent in the previous year.

Reflecting the consumption of yarn, production of fabrics (cotton, blended/mixed and man-made fabrics) recorded a decline of 1.6 per cent during 1991-92 as compared with a rise of 8.7 per cent in 1990-91 (Table IV-25). The decline in production of fabrics was more pronounced in the mill sector where production declined by 8.6 per cent during 1991-92 (a decline of 2.2 per cent last year). Production of fabrics in the decentralised sector recorded a marginal decline of 0.5 per cent during 1991-92 as against a rise of 10.6 per cent last year. In the decentralised sector production of blended and man-made fabrics recorded a positive rate of growth during 1991-92, while production of cotton fabrics declined.

Table IV- 25 : Production, Consumption and Stock position of Cotton and Man- made Textiles

(Million linear metres)

Item	April-March		
	1989-90	1990-91	1991-92 (P)
1	2	3	4
Installed Capacity ('000s) (Looms)	**181**	**178**	**168**
Capacity Utilisation (%) (Looms)	**65**	**61**	55
A. **Production (i+ii)**	**18,722**	**20,354**	20,033
	(+17.4)	**(+8.7)**	(-1.6)
i) Mill Sector (a+b+c)	2,781	2,720	2,486
	(-1.0)	(-2.2)	(-8.6)
a) Cotton Fabrics	2,087	1,977	1,790
	(+3.3)	(-5.3)	(-9.4)
b) Blended/Mixed Fabrics	690	739	692
	(-11.8)	(+7.1)	(-6.3)
c) 100 per cent Man-made Fibre Fabrics	4	4	4
	(-20.0)	(-)	(-)
ii) Decentralised Sector (a+b+c) @	15,941	17,634	17,547
	(+21.3)	(+10.6)	(-0.5)
a) Cotton Fabrics	10,651	11,421	11,204
	(+21.3)	(+7.2)	(-1.9)
b) Blended/Mixed Fabrics	1,148	1,380	1,444
	(+21.4)	(+20.2)	(+4.6)
c) 100 per cent Man-made Fibre Fabrics	4,142	4,833	4,899
	(+21.4)	(+16.7)	(+1.4)
B. **Domestic Consumption (all cloth) ***	**16,158**	**17,264**	**16,535**
	(+0.1)	**(+6.8)**	**(-4.2)**
C. **Year - end Stocks (unsold) (all cloth) ****	**123.0**	**86.0**	**80.2**
	(-12.1)	**(-30.1)**	**(-6.7)**
D. **Exports Cotton Fabrics (mills/ powerlooms, made up, handloom) (Rs. crore)**	**1481.32**	**2051.09**	**3143.80**
	(+40.3)	**(+38.5)**	**(+53.3)**

P : Provisional.
@ : Related to cotton textiles, handloom textiles, ready-made garments, man-made textiles, etc.
* : Relates to total availability.
** : Relates to mill sector only.
Sources : 1) Office of the Textile Commissioner, Ministry of Textiles, Government of India.
2) Indian Cotton Mills Federation.

Domestic consumption of cloth recorded a decline of 4.2 per cent during 1991-92 as compared with the rise of 6.8 per cent in 1990-91. However, the export of cotton fabrics in value terms at Rs 3,144 crore during 1991-92 was higher by 53.3 per cent than the rise of 38.5 per cent in similar period last year. Consequently, the year-end stocks of cloth in the organised sector at 80.2 million metres as at the end-March 1992 were lower by 6.7 per cent than the corresponding stocks level in similar period last year.

Details regarding the number of mills closed and corresponding installed capacity and workers on roll is given in Table IV-25A.

(c) Paper and Paper Boards and Newsprint

Paper and Paper Boards

The production of paper and paper boards recorded a lower rate of growth of 0.5 per cent during 1991 as compared with the rise of 5.7 per cent in 1990. The capacity utilisation of paper mills at 59.84 per cent in 1991 was lower than the corresponding ratio of 64 per cent during the previous year (Table IV-26). India is self-sufficient in respect of most varieties of paper and paper boards, and only certain varieties of paper are being imported. With the removal of price and distribution controls on white printing paper required by the educational sector in 1988, paper industry (especially large units) was able to get remunerative prices. However, a majority of paper mills still use outdated technology/machinery which has resulted in lower productivity. Various reliefs and concessions have been extended by the Government in recent years to help the industry to improve its capacity utilisation and financial viability. These include liberalised facility for import of raw materials, excise concessions for the use of non-conventional raw materials, broad-banding of different varieties of paper and paper boards, and delicensing the manufacture of paper, based on a minimum 75 per cent pulp from bagasse, agricultural residues and other non-conventional raw materials.

Newsprint

There are at present 5 units with installed capacity of 3.13 lakh tonnes, licensed for manufacturing newsprint in the country. The production of newsprint during the year 1991 is estimated at 2.88 lakh tonnes which is higher by 2.9 per cent (a rise of 4.9 per cent last year). With demand for newsprint far exceeding the supply, the requirement of newsprint in the country is being met partly by indigenous production and partly by imports. Around 3 lakh tonnes of newsprint is imported now.

Table IV - 25 A : Number of Cotton/ Man-made Fibre Textile Mills

Year	No. of Mills			No.of Mills Closed	Closure of Cotton/Man-made/ Textile Mills		
					Installed Capacity		Workers on Roll (Lakhs)
	Spinning	Composite	Total		Spindles (Millions)	Looms (Lakhs)	
1	2	3	4	5	6	7	8
As at the end of							
March 1986	702	282	984	72	1.77	0.18	0.95
March 1987	744	283	1,027	90	2.38	0.26	1.27
March 1988	752	283	1,035	133	3.36	0.33	1.61
March 1989	771	283	1,054	142	3.85	0.38	1.86
March 1990	770	281	1,051	121	3.39	0.35	1.57
March 1991	781	281	1,062	105	3.13	0.35	1.61
November 1992				121	3.58	0.38	1.79

Source : Office of the Textile Commissioner, Ministry of Textiles, Government of India.

Table IV - 26 : Paper, Paper Boards and Newsprint

(Production and capacity in lakh tonnes)

	Year (As at the end of December)	No. of Units	Installed Capacity	Production	Capacity Utilisation Ratio (per cent)
	1.	2.	3.	4.	5.
A.	**Paper and Paper Boards**				
	1988	305	28.51	17.20 (+2.4)	60.33
	1989	305	30.14	18.50 (+7.6)	61.38
	1990	311	30.49	19.56 (+5.7)	64.00
	1991 (P)	327	32.84	19.65 (+0.5)	59.84
B.	**Newsprint**				
	1988	5	3.00	2.77 (+7.4)	92.33
	1989	5	3.00	2.67 (-3.6)	89.00
	1990	5	3.00	2.80 (+4.9)	93.33
	1991 (P)	5	3.13	2.88 (E) (+2.9)	92.01

P : Provisional. E : Estimated.

Notes : 1. Data on installed capacity, production and capacity utilisation ratio relate to organised sector and are as given by the Ministry of Industry.

2. Figures in brackets indicate percentage variations over the corresponding period of the previous year.

Sources : Ministry of Industry, Government of India and Central Statistical Organisation.

CHAPTER V

Price Trends and Price Policy

Price Trends:

Salient Features

The strong upward pressure on prices, noticed in the second half of 1990-91, got accentuated in 1991-92. The Wholesale Price Index (WPI) rose sharply on a point-to-point basis touching 13.6 per cent which was far above the increases of 12.1 per cent and 9.1 per cent recorded in 1990-91 and 1989-90, respectively (Table V-1). Although prices rose almost every month in 1991-92, the largest twelve-month inflation rate of 16.4 per cent was witnessed in the month of August as a result of the inflationary impact of downward adjustment of the value of rupee and budgetary imposts in July. The increase, on an average basis, at 13.7 per cent in 1991-92 was also higher than that of 10.3 per cent in the previous year. Inevitably, the increase in wholesale prices had its repercussions on the costs of living. The rate of increase in consumer prices, on a point-to-point basis, at 13.9 per cent was marginally higher than that of 13.6 per cent in 1990-91. On an average basis, the rate of increase at 13.5 per cent was also higher than that of 11.2 per cent in 1990-91.

An analysis of price movements in 1991-92 brings out the role of certain macro-level imbalances and some sectoral developments in precipitating a higher inflation rate during the year. These were: excessive liquidity in the system fuelled by fiscal deficits over the years, uneven distribution or delayed onset of monsoon stimulating inflationary expectations, supply-demand imbalances in sensitive commodities like pulses, edible oils and raw cotton due to shortfall in production and paucity of imports, exchange rate adjustments pushing up prices in import-intensive industries, increases in procurement/ support prices of agricultural commodities, issue prices of cereals and administered prices of coal/ petroleum products (other than diesel and kerosene), fertilisers and electricity.

The analysis of phase-wise behaviour of prices in 1991-92 shows that in the first phase covering the period between end-March and end-August 1991, the price rise, on a point-to-point basis, was almost double of that in the comparable phase of the previous year. In the second phase, between end-August and end-December 1991, the usual seasonal fall in prices did not come through for

Table V-1: Extent of Price Rise based on Index Number of Wholesale Prices

(Major Groupwise)

(Base: 1981-82=100)

Items	Weight	Percentage Variations				Weighted Contribution			
		Point-to-point basis		Average Basis		Point-to-point basis		Average Basis	
		1990-91	1991-92	1990-91	1991-92	1990-91	1991-92	1990-91	1991-92
1	2	3	4	5	6	7	8	9	10
ALL COMMODITIES	**100.000**	**12.1**	**13.6**	**10.3**	**13.7**	**100.0**	**100.0**	**100.0**	**100.0**
Primary Articles	32.295	17.1	15.3	13.1	18.2	44.6	37.1	40.4	43.2
Fuel, Power, Light and Lubricants	10.663	14.4	13.2	12.3	13.1	12.2	10.2	12.0	9.8
Manufactured Products	57.042	8.9	12.6	8.4	11.3	43.0	52.7	47.4	47.0

Source: Office of the Economic Adviser, Ministry of Industry, Government of India.

the second year in succession. During the final phase covering the period end-December 1991 to end-March 1992, the price rise was slightly subdued as compared with that in the final phase of 1990-91. All the three major groups witnessed contra-seasonal increases during the second phase which, however, were on the whole smaller than those in the second phase of 1990-91, especially in case of the 'fuel' group. 'Primary articles' and 'manufactured products' witnessed highest increases in the first phase, while the 'fuel' group experienced the highest increase in the second phase. The 'primary articles' group witnessed a marginal decline of 1.3 per cent in the third phase which was strikingly visible in 'other food' articles, fibres and oilseeds.

Commodity/Group-wise Trends

A commodity group-wise analysis of price trends duri :g 1991-92 shows that the acceleration, on a point-to-point basis, in the general price level was due to an acceleration in the price rise in 'manufactured products' and substantial increases in the other two groups on top of large increases in all these three groups in the financial year 1990-91. The 'manufactured products' contributed the most — 52.7 per cent — to the general increase in WPI, followed by 'primary articles' (37.1%) and the 'fuel' group (10.2%) (Table V-2).

Primary Articles

A price increase of 15.3 per cent was recorded by the 'primary articles' group during 1991-92 over and above a large increase of 17.1 per cent recorded in the previous year [Table V-2(a)]. This increase reflected the prevalence of supply shortages in pulses, oilseeds and raw cotton sectors alongside the hike in procurement and issue prices of cereals.

Within the 'primary articles' group, prices of food articles rose by 20.9 per cent on top of an increase of 18.9 per cent in 1990-91, while the rise in prices of non-food articles at 8.1 per cent was less than half of 19.3 per cent which occurred in the preceding year. Prices of minerals registered an increase of 5.2 per cent in contrast to a decline of 0.5 per cent in the previous year.

The acceleration in 'food articles' was due to large price increases in all cereals—rice, wheat and coarse cereals—over and above the large increases in the previous year caused by hike in procurement and issue prices of these commodities. Prices of pulses rose sizeably due to persistent supply-demand imbalances. Likewise, there were large increases in the case of other sub-groups, such as, milk, fruits and vegetables, eggs, fish and meat and condiments and spices. Condiments and spices recorded a phenomenal increase of 41.3 per cent. Coffee prices fell substantially by 22.2 per cent in sharp contrast to an increase of 61.3 per cent in 1990-91.

Among non-food articles, prices of raw cotton rose markedly by 24.7 per cent due to production shortfalls. Oilseeds prices rose at a much slower pace of 4.7 per cent as compared to 26.6 per cent in 1990-91. Sugarcane prices rose by 12.3 per cent, despite improved production, due to, *inter alia*, the increase in statutory minimum price for sugarcane by 12.9 per cent.

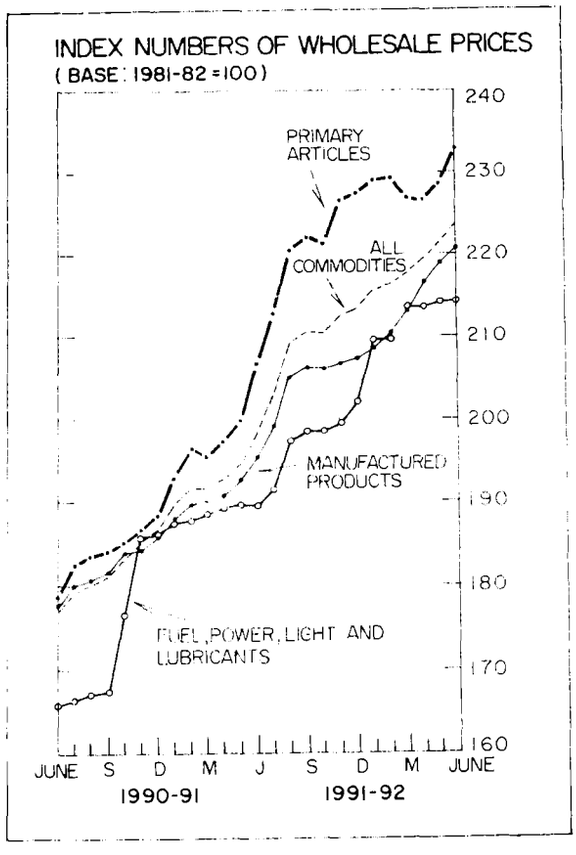


Table V-2 (a) : INDEX NUMBERS OF WHOLESALE PRICES : PRIMARY ARTICLES
(Base : 1981-82 =100)

(In percentage)

Major Groups/Groups/Sub-Groups and Commodities	Weight	End-March 1990	End-March 1991	End-March 1992	Percentage variations (Point-to-point basis) End-March 1991 Over End-March 1990	Percentage variations (Point-to-point basis) End-March 1992 Over End-March 1991	Weighted Contributions (Approximate) 1990-91	Weighted Contributions (Approximate) 1991-92
1	2	3	4	5	6	7	8	9
ALL COMMODITIES	**100.000**	**171.1**	**191.8**	**217.8**	**12.1**	**13.6**	**100.0**	**100.0**
I. PRIMARY ARTICLES	**32.295**	**166.9**	**195.5**	**225.4**	**17.1**	**15.3**	**44.6**	**37.1**
A. FOOD ARTICLES	**17.386**	**177.3**	**210.8**	**254.8**	**18.9**	**20.9**	**28.1**	**29.4**
i) FOOD GRAINS	**7.917**	**159.8**	**196.1**	**243.2**	**22.7**	**24.0**	**13.9**	**14.3**
a) CEREALS	**6.824**	**151.9**	**190.4**	**241.6**	**25.3**	**26.9**	**12.7**	**13.4**
Rice	3.685	165.4	187.5	245.1	13.4	30.7	3.9	8.2
Wheat	2.248	137.6	204.9	230.1	48.9	12.3	7.3	2.2
Jowar	0.420	130.0	154.2	255.2	18.6	65.5	0.5	1.6
Bajra	0.178	120.3	152.0	265.8	26.4	74.9	0.3	0.8
b) PULSES	**1.093**	**209.0**	**231.6**	**253.4**	**10.8**	**9.4**	**1.2**	**0.9**
Gram	0.410	192.9	196.8	195.0	2.0	−0.9	0.1	0.0
ii) FRUITS & VEGETABLES	**4.089**	**167.3**	**205.3**	**244.3**	**22.7**	**19.0**	**7.5**	**6.1**
Vegetables	1.291	166.3	195.7	209.7	17.7	7.2	1.8	0.7
Fruits	2.798	167.7	209.7	260.2	25.0	24.1	5.7	5.4
iii) MILK	**1.961**	**202.2**	**220.1**	**250.2**	**8.9**	**13.7**	**1.7**	**2.3**
iv) EGGS, FISH & MEAT	**1.783**	**181.4**	**200.4**	**233.1**	**10.5**	**16.3**	**1.6**	**2.2**
Fish	0.507	179.4	197.4	236.4	10.0	19.8	0.4	0.8
Mutton	0.521	209.9	238.8	255.6	13.8	7.0	0.7	0.3
v) CONDIMENTS & SPICES	**0.947**	**240.9**	**318.6**	**450.2**	**32.3**	**41.3**	**3.6**	**4.8**
vi) OTHER FOOD ARTICLES	**0.689**	**269.9**	**264.6**	**251.5**	**−2.0**	**−5.0**	**−0.2**	**−0.3**
Tea	0.564	282.3	246.8	247.8	−12.6	0.4	−1.0	0.0
Coffee	0.125	213.8	344.9	268.3	61.3	−22.2	0.8	−0.4
B. NON-FOOD ARTICLES	**10.081**	**176.4**	**210.5**	**227.6**	**19.3**	**8.1**	**16.6**	**6.6**
i) FIBRES	**1.791**	**161.9**	**201.5**	**230.5**	**24.5**	**14.4**	**3.4**	**2.0**
Raw Cotton	1.335	128.7	185.7	231.5	44.3	24.7	3.7	2.4
Raw Jute	0.160	374.2	318.2	214.1	−15.0	−32.7	−0.4	−0.6
ii) OILSEEDS	**3.861**	**167.3**	**211.8**	**221.7**	**26.6**	**4.7**	**8.3**	**1.5**
Groundnut seed	1.296	180.3	233.6	234.7	29.6	0.5	3.3	0.1
Rape and Mustard seed	0.661	155.5	196.0	193.3	26.0	−1.4	1.3	−0.1
Copra	0.111	177.7	262.4	321.5	47.7	22.5	0.5	0.3
iii) OTHER NON-FOOD ARTICLES	**4.429**	**190.3**	**213.1**	**231.6**	**12.0**	**8.7**	**4.9**	**3.2**
Sugarcane	2.706	177.8	181.9	204.2	2.3	12.3	0.5	2.3
Tobacco	0.275	188.4	308.0	295.9	63.5	−3.9	1.6	−0.1
Raw Rubber	0.114	145.1	141.3	157.1	−2.6	11.2	0.0	0.1
Logs & Timber	0.571	248.7	230.0	275.1	−7.5	19.6	−0.5	1.0
C. MINERALS	**4.828**	**109.5**	**109.0**	**114.7**	**−0.5**	**5.2**	**−0.1**	**1.1**
i) METALLIC MINERALS	**0.231**	**164.8**	**164.8**	**198.0**	**0.0**	**20.1**	**0.0**	**0.3**
Iron Ore	0.154	170.3	170.3	182.2	0.0	7.0	0.0	0.1
ii) OTHER MINERALS	**0.323**	**196.6**	**194.3**	**231.3**	**−1.2**	**19.0**	**0.0**	**0.5**
Lime Stone	0.070	222.8	222.8	214.2	0.0	−3.9	0.0	0.0
ii) PETROLEUM CRUDE AND NATURAL GAS	**4.274**	**99.9**	**99.5**	**101.4**	**−0.4**	**1.9**	**−0.1**	**0.3**

Fuel, Power, Light and Lubricants

The movements in the indices of the major group, 'fuel, power, light and lubricants' generally reflect the changes effected in administered prices. As against a price rise of 14.4 per cent in 1990-91, this group recorded an increase of 13.2 per cent in 1991-92 mainly as a result of an upward revision in the administered prices of coal group (27.4%), electricity (13.7%), and petroleum products (9.2%) [Table V-2(b)].

Manufactured Products

The index of this major group recorded a sharp increase of 12.6 per cent in 1991-92 as compared with an increase of 8.9 per cent in the previous year [Table V-2(c)]. This group also made the highest weighted contribution of 52.7 per cent, among all the major groups, to the rise in general price index.

Groupwise, the price rise in chemicals and chemical products, beverages, tobacco and tobacco products, paper and paper products, rubber and plastic products and textiles accelerated, whereas those of food products, basic metals, alloys and metal products, ferro alloys, decelerated. Leather and leather products prices registered marginal declines. Sugar prices rose sharply by 18.9 per cent as compared to a fractional increase of 0.4 per cent in 1990-91. Cotton textiles also showed a higher price rise of 16.0 per cent on account of higher raw cotton prices. Chemicals and chemical products prices rose owing to substantial rise in prices of minerals and mineral oils groups. Cement prices rose by 17.4 per cent (14.1 per cent in 1990-91) which was essentially due to market imperfections. Prices of non-ferrous metals rose by 6.7 per cent following a spurt in international prices and downward adjustment in the exchange rate for the rupee in July 1991.

Table V-2 (b) : INDEX NUMBERS OF WHOLESALE PRICES : FUEL, POWER, LIGHT & LUBRICANTS
(Base : 1981-82 =100)

(In percentage)

Major Groups/Groups/Sub-Groups and Commodities	Weight	End-March 1990	End-March 1991	End-March 1992	Variations (Point-to-point basis) End-March 1991 Over End-March 1990	Variations (Point-to-point basis) End-March 1992 Over End-March 1991	Weighted Contributions (Approximate) 1990-91	Weighted Contributions (Approximate) 1991-92
1	2	3	4	5	6	7	8	9
II. FUEL, POWER, LIGHT & LUBRICANTS	**10.663**	**164.9**	**188.6**	**213.5**	**14.4**	**13.2**	**12.2**	**10.2**
A. COAL MINING	**1.256**	**232.6**	**232.7**	**296.5**	**0.0**	**27.4**	**0.0**	**3.1**
Coking Coal	0.353	253.8	253.8	320.0	0.0	26.1	0.0	0.9
Non-coking Coal	0.798	228.4	228.4	292.8	0.0	28.2	0.0	2.0
Coke	0.064	162.2	162.2	218.4	0.0	34.6	0.0	0.1
B. MINERAL OILS	**6.666**	**141.1**	**170.1**	**185.8**	**20.6**	**9.2**	**9.3**	**4.0**
Liquefied petroleum gas	0.677	132.1	132.1	159.4	0.0	20.7	0.0	0.7
Petrol	0.806	168.3	209.7	253.8	24.6	21.0	1.6	1.4
Kerosene	0.868	129.9	161.4	146.7	24.2	−9.1	1.3	−0.5
Aviation turbine fuel	0.341	174.2	216.8	264.1	24.5	21.8	0.7	0.6
High speed diesel oil	2.154	140.7	172.0	176.1	22.2	2.4	3.3	0.3
Light diesel oil	0.203	125.1	155.6	171.9	24.4	10.5	0.3	0.1
Furnace oil	0.641	121.7	150.0	166.6	23.3	11.1	0.9	0.4
Lubricants	0.453	155.9	202.9	240.4	30.1	18,.5	1.0	0.7
C. ELECTRICITY	**2.741**	**191.6**	**213.4**	**242.7**	**11.4**	**13.7**	**2.9**	**3.1**

Table V-2 (c) : INDEX NUMBERS OF WHOLESALE PRICES : MANUFACTURED PRODUCTS
(Base : 1981-82 =100)

(In percentage)

Major Groups/Groups/Sub-Groups and Commodities	Weight	End-March 1990	End-March 1991	End-March 1992	Variations (Point-to-point basis) End-March 1991 Over End-March 1990	Variations (Point-to-point basis) End-March 1992 Over End-March 1991	Weighted Contributions (Approximate) 1990-91	Weighted Contributions (Approximate) 1991-92
1	2	3	4	5	6	7	8	9
III.MANUFACTURED PRODUCTS	**57.042**	**174.7**	**190.3**	**214.3**	**8.9**	**12.6**	**43.0**	**52.7**
A. FOOD PRODUCTS	**10.143**	**168.6**	**190.8**	**210.2**	**13.2**	**10.2**	**10.9**	**7.6**
a) DAIRY PRODUCTS	**0.642**	**184.4**	**200.6**	**260.7**	**8.8**	**30.0**	**0.5**	**1.5**
b) GRAIN MILLS PRODUCTS	**1.530**	**175.2**	**197.9**	**236.9**	**13.0**	**19.7**	**1.7**	**2.3**
c) SUGAR, KHANDSARI AND GUR	**4.059**	**147.2**	**147.3**	**155.4**	**0.1**	**5.5**	**0.0**	**1.3**
Sugar	2.013	142.2	142.8	169.8	0.4	18.9	0.1	2.1
Khandsari	0.300	145.4	141.4	131.6	−2.8	−6.9	−0.1	−0.1
Gur	1.746	153.3	153.5	142.9	0.1	− 6.9	0.0	− 0.7
d) EDIBLE OILS	**2.445**	**189.8**	**251.8**	**256.7**	**32.7**	**1.9**	**7.3**	**0.5**
Hydrogenated Vanaspati	0.517	203.0	268.1	272.5	32.1	1.6	1.6	0.1
Solvent Extracted Ground-nut Oil	0.021	190.7	283.9	241.5	48.9	−14.9	0.1	0.0
Rape & Mustard Oil	0.276	147.9	213.7	228.5	44.5	6.9	0.9	0.2
Groundnut Oil	0.526	184.2	250.9	245.6	36.2	−2.1	1.7	−0.1
B. BEVERAGES, TOBACCO & TOBACCO PRODUCTS	**2.149**	**222.6**	**246.6**	**284.8**	**10.8**	**15.5**	**2.5**	**3.2**
C. TEXTILES	**11.545**	**168.8**	**177.7**	**197.7**	**5.3**	**11.3**	**5.0**	**8.9**
i) COTTON TEXTILES	**6.093**	**170.4**	**181.5**	**210.5**	**6.5**	**16.0**	**3.3**	**6.8**
Cotton Yarn	1.232	192.5	196.8	253.7	2.2	28.9	0.3	2.7
Cotton Cloth (Mills)	3.159	153.3	167.9	197.3	9.5	17.5	2.2	3.6
ii) MAN-MADE TEXTILES	**2.921**	**138.3**	**134.9**	**150.7**	**2.5**	**11.7**	**−0.5**	**1.8**
iii) JUTE, HEMP & MESTA TEXTILES	**0.689**	**284.4**	**299.6**	**282.6**	**5.3**	**−5.7**	**0.5**	**− 0.5**
D. PAPER AND PAPER PRODUCTS	**1.988**	**212.6**	**235.3**	**300.5**	**10.7**	**27.7**	**2.2**	**5.0**
Newsprint	0.137	213.1	213.1	318.0	0.0	49.2	0.0	0.6
E. LEATHER & LEATHER PRODUCTS	**1.018**	**200.4**	**230.3**	**228.4**	**14.9**	**−0.8**	**1.5**	**−0.1**
Footwear Western Type	0.353	232.1	259.5	310.2	11.8	19.5	0.5	0.7
F. RUBBER AND PLASTIC PRODUCTS	**1.592**	**162.8**	**165.6**	**182.3**	**1.7**	**10.1**	**0.2**	**1.0**
Tyres and Tubes	0.766	152.0	153.7	173.4	1.1	12.8	0.1	0.6
G.CHEMICALS & CHEMICAL PRODUCTS	**7.355**	**143.5**	**154.0**	**177.8**	**7.3**	**15.5**	**3.7**	**6.7**
Fertilizers	1.748	99.1	99.1	127.6	0.0	28.8	0.0	1.9
Drugs and Medicines	1.065	147.5	153.1	165.8	3.8	8.3	0.3	0.5
H. NON-METALLIC MINERAL PRODUCTS	**2.477**	**177.3**	**196.7**	**229.7**	**10.9**	**16.8**	**2.3**	**3.1**
CEMENT, LIME & PLASTER	**0.916**	**166.8**	**194.5**	**224.7**	**16.6**	**15.5**	**1.2**	**1.1**
Cement	0.860	162.2	185.0	217.1	14.1	17.4	0.9	1.1
I. BASIC METALS, ALLOYS & METAL PRODUCTS	**7.632**	**209.8**	**228.1**	**241.7**	**8.7**	**6.0**	**6.7**	**4.0**
a) BASIC METALS & ALLOYS	**4.784**	**201.0**	**214.5**	**226.2**	**6.7**	**5.5**	**3.1**	**2.2**
i) IRON & STEEL	**2.441**	**195.0**	**206.7**	**216.0**	**6.0**	**4.5**	**1.4**	**0.9**
Basic Pig Iron	0.023	279.1	303.3	305.1	8.7	0.6	0.0	0.0
Bars & Rods	0.955	195.4	201.8	206.2	3.3	2.2	0.3	0.2
Stainless Steel	0.113	102.2	102.2	102.2	0.0	0.0	0.0	0.0
Heavy light Structurals	0.215	250.9	266.6	315.7	6.3	18.4	0.2	0.4
Sheets	0.301	206.5	221.2	224.0	7.1	1.3	0.2	0.0
Axles, Wheels & Tyres	0.029	464.0	515.3	516.7	11.1	0.3	0.1	0.0
Pipes & Tubes	0.569	214.1	230.4	230.4	7.6	0.0	0.4	0.0
ii) FERRO ALLOYS	**0.196**	**210.0**	**223.0**	**234.6**	**6.2**	**5.2**	**0.1**	**0.1**
ii) NON-FERROUS METALS	**1.025**	**244.0**	**263.5**	**281.2**	**8.0**	**6.7**	**1.0**	**0.7**
Alluminium	0.454	214.6	226.8	231.2	5.7	1.9	0.3	0.1
b) METAL PRODUCTS	**1.823**	**213.5**	**243.7**	**260.1**	**14.1**	**6.7**	**2.7**	**1.1**
J. MACHINERY & MACHINE TOOLS INCLUDING ELECT-RICAL MACHINERY	**6.268**	**171.0**	**188.8**	**222.5**	**10.4**	**17.8**	**5.4**	**8.1**
a) NON-ELECTRICAL MACHINERY & PARTS	**3.277**	**179.7**	**199.8**	**237.0**	**11.2**	**18.6**	**3.2**	**4.7**
b) ELECTRICAL MACHINERY	**2.991**	**161.4**	**176.7**	**206.7**	**9.5**	**17.0**	**2.2**	**3.5**
c) TRANSPORT EQUIPMENT & PARTS	**2.705**	**174.2**	**190.8**	**212.1**	**9.5**	**11.2**	**2.2**	**2.2**
K. OTHER MISC. MFG. IND.	**0.972**	**117.8**	**123.0**	**137.7**	**4.4**	**12.0**	**0.2**	**0.5**

Weighted Contribution

An analysis of weighted contribution of different groups/commodities to the increase in the general index of wholesale prices reveals that, on a point-to-point basis, the 'manufactured products' with a weight of 57.0 per cent in the general index, contributed the most at 52.7 per cent to the total price rise in 1991-92 which is significantly higher than the contribution of 43.0 per cent made in 1990-91. This was followed by a lower contribution of 37.1 per cent by 'primary articles' as compared to 44.6 per cent in 1990-91. The 'fuel' group also contributed lesser at 10.2 per cent as compared to 12.2 per cent in the previous year.

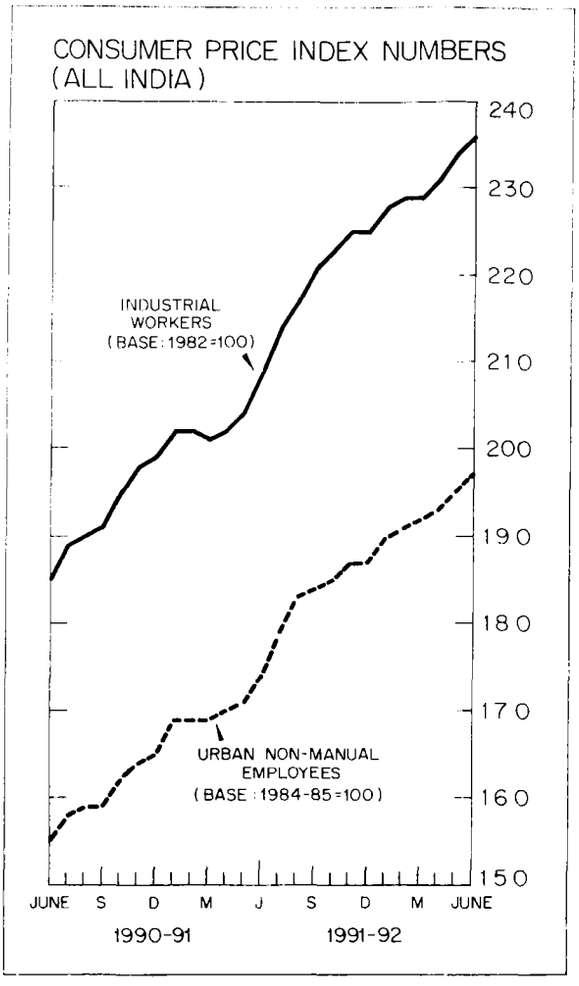
Commodity-wise contribution to price rise has been quite generalised this year with the exception of rice (8.2 per cent), mineral oils (4.0 per cent) and textiles (8.9 per cent).

Price Trends during the period 1980-81 to 1991-92

During the period 1980-81 to 1991-92, the inflation rate, on an average basis, was 8.7 per cent in terms of WPI and 9.6 per cent in terms of CPI for Industrial Workers.

Consumer Price Indices (CPI)

An analysis of trends in the three consumer price indices reveals, as stated earlier, that the rise in general index of wholesale prices, on an average basis, was fractionally higher than that in two consumer price indices — for industrial workers and urban non-manual employees in 1991-92. As against the increase of 13.7 per cent, on an average basis, in the general index of WPI in 1991-92, the movements in all-India CPI, on an average basis, indicate an increase of 13.5 per cent in each of the CPIs for Industrial Workers and for Urban Non-manual Employees. Only the CPI for Agricultural Labourers has shown a higher increase of 19.3 per cent reflecting the large increase in food prices which have a larger weightage in this CPI (Table V-3). The all-India CPI for Industrial Workers (base: 1982=100) recorded, on point-to-point and average basis, increases of 13.9 per cent and 13.5 per cent, respectively, during 1991-92 as compared with the increases of 13.6 per cent and 11.2 per cent, respectively, during 1990-91. CPI for Industrial Workers has been increasing steadily from 202 in April 1991 to 229 in March



1992 with spells of stability in December and March. Centre-wise, CPI for Industrial Workers recorded significant increases in all major centres. The highest increase in the index was registered at Gudur (27.1 per cent) followed by Warangal (23.2 per cent), Noamundi (19.5 per cent), Labac-Silchar (19.3 per cent), Kodarma (19.1 per cent) and Madurai (18.5 per cent).

The all-India CPI for Urban Non-manual Employees (base: 1984-85=100) recorded, on a point-to-point basis, a rise of 13.6 per cent in 1991-92 as compared with a rise of 13.4 per cent in 1990-91. On an average basis also, the increase of 13.5 per cent was higher than that of 11.0 per cent recorded in 1990-91. With the exception of Srinagar for which there was no change in this CPI, in almost all other centres the index registered significant double-digit increase during the year: the highest increase recorded was in Warangal (18.5 per cent) while the index at 150 remained

Table V-3 : CONSUMER PRICE INDICES

	Items	1989-90	1990-91	1991-92
	1	2	3	4
1.	Consumer Price Index for Industrial Workers (Average) (Base : 1982 = 100)	173.4	192.8	218.8
2.	Per Cent Variation in (1)	+6.6	+11.2	+13.5
3.	Consumer Price Index for Industrial Workers (For March) (Base : 1982 = 100)	177	201	229
4.	Per Cent Variation in (3)	+6.6	+13.6	+13.9
5.	Consumer Price Index for Urban Non-manual Employees (Average) (Base : 1984-85 = 100)	145.2	161.1	182.8
6.	Per Cent Variation in (5)	+6.9	+11.0	+13.5
7.	Consumer Price Index for Urban Non-Manual Employees (Base : 1984-85 = 100) (For March)	149	169	192
8.	Per Cent Variation in (7)	+8.0	+13.4	+13.6
9.	Consumer Price Index for Agricultural Labourers (Average) (Base : July 1960 - June 1961 = 100)	746.5	802.9	957.8
10.	Per Cent Variation in (9)	+5.4	+7.6	+19.3
11.	Consumer Price Index for Agricultural Labourers (Base : July 1960 - June 1961 = 100) (For March)	736	858	1046
12.	Per Cent Variation in (11)	+1.0	+16.6	+21.9

Source : Labour Bureau, Ministry of Labour and Central Statistical Organisation, Government of India.

unchanged in Srinagar. The all-India CPI for Agricultural Labourers (base: July 1960 - June 1961=100) registered, on a point-to-point basis, a very high increase of 21.9 per cent on top of the large increase of 16.6 per cent during 1990-91; on an average basis, this index registered an increase of 19.3 per cent which was more than double the increase of 7.6 per cent registered in the previous year.

Price Trends During the April-June Quarter of 1992-93

The general index of wholesale prices during the first quarter (April-June) of the current financial year 1992-93 registered a smaller increase of 3.2 per cent as compared with the increase of 4.3 per cent in the corresponding quarter of 1991-92. There has been a steady easing of the twelve-month inflation rate since the beginning of the financial year. Of the major groups, indices of 'primary articles' have shown the greatest deceleration in price increase at 4.1 per cent as compared to 7.4 per cent in the first quarter of 1991-92. This has been due to significantly reduced increases in the indices of fruits and vegetables, milk, raw cotton and oilseeds and decline in pulses. Increases in indices of the 'fuel' group and 'manufactured products' group at 0.3 per cent and 3.2 per cent, respectively, have been almost on the same scale as in the previous comparable period. This deceleration in the inflation rate may be ascribed to the macro-level policy initiatives and demand resistance to the very high levels of prices (Table V-4).

During the first quarter April-June 1992-93, the CPI for Industrial Workers, on a point-to-point basis, registered a rise of 3.1 per cent which was somewhat lower than that of 4.0 per cent recorded in the corresponding period of 1991-92. On an average basis, however, the increase at 14.0 per cent was higher than the increase of 12.4 per cent in the previous corresponding quarter.

Price Policies

The pricing policies adopted by the authorities during 1991-92 and in the first half of 1992-93 clearly reflect the emphasis on market-orientation which has been witnessed in most of the sectors of the economy. Displaying an increasing degree

Table V-4 : VARIATIONS IN INDEX NUMBERS OF WHOLESALE PRICES

(Base : 1981-82 = 100)

Items	Weight	Percentage Variations (Point-to-point) 1991-92 End-June Over End-March	1992-93 End-June Over End-March
1	2	3	4
ALL COMMODITIES	**100.000**	**4.3**	**3.2**
I. PRIMARY ARTICLES	**32.295**	**7.4**	**4.1**
Food Articles	17.386	10.0	7.1
Cereals	6.824	−2.6	1.2
Rice	3.685	4.4	2.3
Wheat	2.248	−15.5	−3.1
Pulses	1.093	5.7	− 0.1
Fruits & Vegetables	4.089	28.2	18.5
Milk	1.961	6.0	0.9
Other Food Articles	0.689	14.4	20.7
Tea	0.564	25.1	26.6
Non-Food Articles	10.081	3.8	−0.8
Fibres	1.791	14.9	0.3
Raw Cotton	1.335	21.1	3.0
Oil Seeds	3.861	2.8	2.3
Minerals	4.828	3.2	0.0
II. FUEL, POWER, LIGHT & LUBRICANTS	**10.663**	**0.5**	**0.3**
Coal Mining	1.256	0.0	0.0
Mineral Oils	6.666	0.0	0.1
III. MANUFACTURED PRODUCTS	**57.042**	**3.3**	**3.2**
Sugar, Khandsari & Gur	4.059	11.1	11.8
Sugar	2.013	3.9	3.2
Khandsari	0.300	16.0	14.2
Gur	1.746	17.9	23.2
Edible Oils	2.445	2.0	5.3
Textiles	11.545	2.0	−0.6
Paper & Paper Products	1.988	5.5	0.0
Chemicals and Chemical Products	7.355	2.9	3.0
Cement	0.860	7.5	−1.8
Iron & Steel	2.441	0.7	8.8
Ferro Alloys	0.196	0.7	1.7

of flexibility, the Government have decontrolled the prices of a few crucial commodities like steel while reducing the subvention in respect of others, viz., sugar. Timely increases in administered prices were announced following devaluation, increase in excise duty, etc.

High inflation rate was witnessed in 1991-92 and in essential commodities in particular, despite comfortable agricultural production. This stemmed largely from inflationary expectations, which were more prominent with regard to foodgrains mainly owing to below-average procurement. Supply could not be augmented as said earlier, by imports due to critical balance of payments situation. Concerted efforts were made to contain Government deficit so as to reduce the liquidity in the economy, and the reduction of subsidies on several commodities was a bold step towards attaining this objective.

Frequent modifications in minimum margins and credit ceilings on bank advances against sensitive commodities were effected in response to price and output developments. The scope of Public Distribution System (PDS) was enhanced during the year by increasing the geographical area to 1,698 additional blocks and covering under it

commodities like tea, soap and match-box. The Centre continued its market intervention operation in respect of foodgrains, sugar, edible oils and pulses. Substantial upward revisions were also effected in support/procurement prices of major agricultural commodities primarily with a view to providing remunerative prices environment so as to augment production and procurement. The policy changes relating to agricultural prices have already been discussed in Chapter III. The changes in price policies with regard to certain industrial products are reviewed below.

Price Policy for Industrial Products

With a view to improving the reach of the PDS in remote, far-flung and inaccessible areas, etc., the Government decided to revamp the PDS. In consultation with the State Governments and Union Territory Administrations, about 1,700 blocks covered by various area specific programmes, such as, Drought Prone Area Programme (DPAP), Desert Development Programme (DDP), Integrated Tribal Development Projects (ITDP) and Designated Hill Areas (DHA) were identified. These blocks generally suffer from chronic food deficits and are inhabited by a significant percentage of the country's poor. A number of measures were introduced to improve availability and accessibility of foodgrains in the identified areas, such as, additional allocation of foodgrains, introduction of special subsidy on Central issue prices, opening of more fair price shops, issue of ration cards, etc. State Governments /Union Territory Administrations were requested to introduce door-step delivery of PDS commodities to fair price shops, set up fair price shop level vigilance committees and to introduce additional items of mass consumption, such as, tea, iodised salt, pulses and soaps for distribution through PDS outlets.

The Centre continued its market intervention operations in respect of wheat, sugar and edible oils. To offset the rise in the input cost, the minimum support prices/procurement prices were suitably adjusted in respect of agricultural commodities. The issue prices of commodities like wheat and rice were also revised in line with their procurement prices.

Effective July 24, 1991, the issue price of sugar was increased from Rs. 5.25 to Rs. 6.10 per kilogram following the abolition of subsidy on levy sugar supply through the PDS. With the increase in excise duty imposed by the Union Budget on free-sale sugar from Rs. 50 to Rs. 71 per quintal, sugar became dearer by 21 paise per kilogram. Effective January 21, 1992, the retail issue price of levy sugar in fair price shops was increased from Rs. 6.10 to Rs. 6.90 per kilogram.

As per the Union Budget of 1991-92, fertilizer prices other than low analysis nitrogenous fertilizers like Ammonium Sulphate (AS), Ammonium Chloride (AC) and Calcium Ammonium Chloride (CAN) were hiked by 30 per cent. The small and marginal farmers were, however, exempted from this price hike. Price and distribution controls on low analysis nitrogenous fertilizers were removed.

At the recommendation of the Joint Parliamentary Committee (JPC) on fertiliser pricing the price of urea was reduced by 10 per cent and low analysis nitrogenous fertilisers were brought back under the Retention Price Scheme and their prices also reduced by 10 per cent with effect from August 25, 1992. All the phosphatic and potassic fertilisers were decontrolled from the same date.

In order to neutralise the under-recoveries to the oil industry caused by irrecoverable taxes and surcharges levied by the 11 States/Union Territories, the Government revised the existing surcharges on petroleum products sold in these States/Union Territories effective January 1, 1992. This resulted in increase in the selling price of the petroleum products in the concerned States.

As regards prices of petroleum products prevailing prior to September 16, 1992, the full costs of operation involving exploration, production, processing and marketing were not being recovered which led to the generation of deficits in the oil industry pool account. With a view to partially reduce the increasing deficits of the oil industry, Government decided to increase the ex-storage prices of all petroleum products with effect from September 16, 1992 except SKO for

domestic use which is used by the weaker and vulnerable sections of the society.

In December 1991 the Cabinet Committee on Economic Affairs (CCEA) raised the natural gas prices to Rs. 1,550 per thousand cubic metre effective January 1, 1991 and for an increase each year by Rs. 100 per thousand cubic metre so as to reach the level of Rs. 1,850 by the end of the three years period.

Effective September 1, 1991, administered prices of all categories of steel and pig iron were raised by Rs. 90 and Rs. 60 per tonne, respectively, by the Joint Plant Committee, following the increase in railway freight rates. Effective January 16, 1992, the Government dispensed with price control on iron and steel while retaining partial distribution control in respect of some priority sectors and also simultaneously reducing the import duties on pig iron, billets, HR cells and scrap. Effective March 1, 1992, SAIL revised upwards steel prices in the range of Rs. 100 to Rs. 830 per tonne to offset the hike in Central excise duties announced in the Budget. With effect from April 1, 1992, there was an increase of Rs. 124 per tonne on steel and Rs. 85 per tonne on pig iron to neutralise increase in outward railway freight. Effective May 18, 1992, SAIL announced an average rise of 15 per cent (Rs. 1,600) per tonne in the prices of iron and steel items to compensate for the escalation in import costs.

The year 1991-92 witnessed further growth of the pharmaceutical sector in terms of production and exports. The production during the year was estimated to have touched Rs. 790 crore for bulk drugs and Rs. 4,200 crore for formulations from Rs. 730 crore and Rs. 3,840 crore, respectively, in 1990-91. A significant increase was registered in the field of exports also whereby the level of exports rose from Rs. 950 crore in 1990-91 to Rs. 1,445 crore in 1991-92. An important landmark during the period has been the commencement of basic stage production of Rifampicin in the country by an Indian company with South Korean collaboration. Forty per cent of the world production of this important anti-TB, anti-leprotic drug is consumed in this country and establishment of its basic stage indigenous production signifies major achievement of the Indian pharmaceutical Industry. Pharmaceutical industry in India has the capability of producing a wide range of bulk drugs, covering a large spectrum of technologies and almost all formulations.

Government took a number of steps to prevent shortages in medicines. One such measure was that price revisions in case of bulk drugs were more frequent. After the announcement of new exchange rate of rupee against major foreign currencies of the World, Government revised the prices of 55 bulk drugs using imported raw materials. Increases were also allowed in the prices of hundreds of formulation based on these bulk drugs.

With a view to encouraging indigenous production at competitive costs during the year 1991-92 the process of rationalisation of duties was continued. Customs duty on 61 bulk drugs used for essential and life saving formulations was reduced to zero, and that on 41 drug intermediates used for the production of 32 bulk drugs was also reduced.

CHAPTER VI

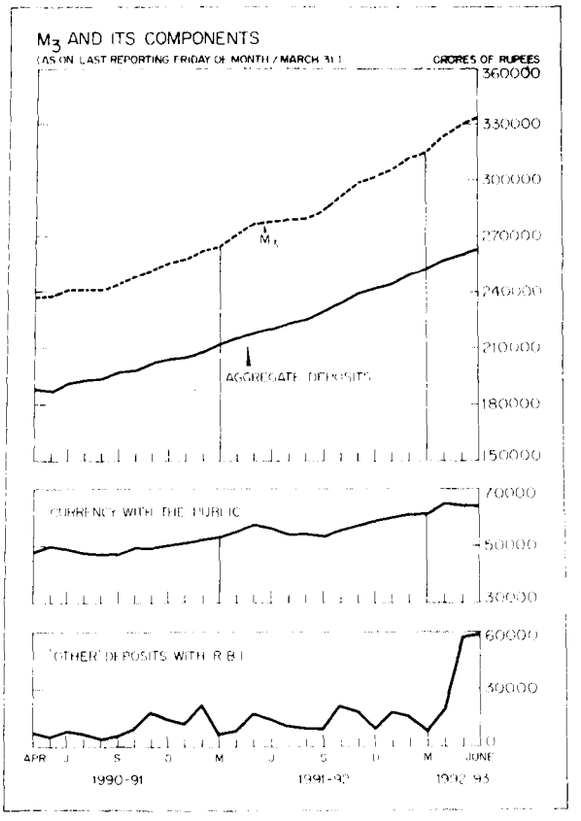
Monetary Developments

Overall Trends

The financial year 1991-92 experienced faster expansion in broad money (M_3) and a moderate increase in the rate of growth of reserve money (RM). There were all round acceleration in the rates of expansion in major components of broad money. Among the sources, while net bank credit to Government and bank credit to commercial sector registered slower increases, net foreign exchange assets witnessed a sharp turnaround with large accretion in contrast to the massive loss suffered in the previous year leading to a subdued growth in broad money in that year. The net non-monetary liabilities of the banking system, a contracting factor in monetary expansion, recorded a higher decline in 1991-92.

The high pace of liquidity expansion in 1991-92 was even more manifest in narrow money or M_1 growth. Narrow money or M_1 (comprising currency with the public, demand deposits with banks and 'other' deposits with the Reserve Bank) expanded during 1991-92 by Rs. 21,219 crore (22.8 per cent) as against an expansion of Rs. 11,832 crore (14.6 per cent) in 1990-91 (Table VI-1).

M_3 (comprising of M_1 and time deposits with banks) expansion accelerated to as high as 18.5 per cent which was attributable to the domestic expansion of primary liquidity and the larger than projected foreign exchange accruals. The increase in M_3 by Rs. 49,256 crore (18.5 per cent) as compared to Rs. 34,878 crore (15.1 per cent) in the previous year surpassed the target for M_3 expansion of about 13 per cent contemplated at the time of formulating the macro-economic objectives for the year. On a monthly average basis also, the rate of expansion in M_1 in 1991-92 was higher at 19.3 per cent as against 17.3 per cent in 1990-91 and that in M_3 was 17.0 per cent as against 16.3 per cent in 1990-91.



The expansion in M_2 (M_1 plus post office savings bank deposits) in 1991-92 at Rs. 21,041 crore (21.7 per cent) was larger than that of Rs. 12,043 crore (14.2 per cent) in 1990-91. A notable feature of M_2 was the absolute fall in post office savings bank deposits by Rs. 178 crore as against an increase of Rs. 211 crore in the previous year. This is true in respect of M_4 (M_3 plus total post office deposits)

Table VI-1 : MONEY SUPPLY AND ITS COMPONENTS

(Rupees crore)

Items	Variations during the financial year*						Out-standing as on March 31, 1992 @	Variations during the quarter*			
	1989-90		1990-91		1991-92 @			April-June 1991		April-June 1992 @	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12
M_1 (a + b + c)	14,274	21.4	11,832	14.6	21,219	22.8	1,14,111	6,267	6.7	7,753	6.8
(a) Currency with the public	7,971	20.8	6,748	14.6	8,184	15.4	61,232	3,737	7.0	2,719	4.4
(b) Demand deposits with banks	6,399	23.0	5,008	14.7	12,813	32.7	51,983	1,796	4.6	44	0.1
(c) 'Other' deposits with RBI	−96	−13.8	76	12.7	222	32.9	896	734	108.9	4,990	556.9
Post Office Saving Bank Deposits	200	5.3	211	5.3	−178	−4.2	4,027	−195	−4.6	–	–
M_2 (M_1 + Post Office Saving Bank Deposits)	14,474	20.5	12,043	14.2	21,041	21.7	1,18,138	6,072	6.3	7,753	6.6
Time deposits with banks	23,183	18.3	23,046	15.4	28,037	16.2	2,00,973	6,268	3.6	10,490	5.2
M_3 (M_1 + Time deposits with banks)	37,457	19.4	34,878	15.1	49,256	18.5	3,15,084	12,535	4.7	18,243	5.8
Total Post Office Deposits	1,038	8.7	1,701	13.1	−150	−1.0	14,531	−150	−1.0	–	–
M_4 (M_3 + Total Post Office Deposits)	38,495	18.7	36,579	15.0	49,106	17.5	3,29,615	12,385	4.4	18,243	5.5

@ : Data are provisional.

* : Based on March 31, excepting scheduled commercial banks' data which pertainto last reporting Friday of March.

Table VI-2 : SOURCES OF MONEY STOCK (M_3)

(Rupees crore)

Items	Variations during the financial year*						Out-standing as on March 31, 1992 @	Variations during the quarter*			
	1989-90		1990-91		1991-92@			April-June 1991		April-June 1992@	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12
Sources of Money Stock (M_3)											
M_3 (1+2+3+4 -5)	**37,457**	**19.4**	**34,878**	**15.1**	**49,256**	**18.5**	**3,15,084**	**12,535**	**4.7**	**18,243**	**5.8**
1. Net Bank Credit to Government (A+B)	**20,676**	**21.4**	**23,042**	**19.7**	**18,101**	**12.9**	**1,58,294**	**10,445**	**7.5**	**6,391**	**4.0**
A. RBI's net credit to Government (i+ii)#	14,068	23.6	15,165	20.6	5,168	5.8	94,016	7,081	8.0	2,320	2.5
i) Net claims on Central Government (a-b)	13,813	23.7	14,745	20.5	5,508	6.3	92,266	9,170	10.6	3,913	4.2
a. Claims on Central Government	14,100	23.8	15,086	20.6	5,904	6.7	94,348	7,589	8.6	1,906	2.0
b. Deposits of Central Government	287	27.1	341	25.4	396	23.5	2,082	−1,581	−93.8	−2,007	−96.4
ii) Net claims on State Governments (a-b)	255	18.0	420	25.1	−340	−16.3	1,750	-2,089	−100.0	−1,593	−91.0
a. Claims on State Governments	255	18.0	420	25.1	−340	−16.3	1,750	-2,073	-99.2	−1,577	−90.1
b. Deposits of State Governments	–	–	–	–	–	–	–	16	L	16	L
B. Other banks' credit to Government	6,608	17.9	7,877	18.1	12,933	25.2	64,278	3,364	6.6	4,071	6.3
2. Bank Credit to Commercial Sector (A+B)	**23,822**	**18.6**	**20,065**	**13.2**	**19,296**	**11.2**	**1,91,065**	**89**	**0.1**	**8,493**	**4.4**
A. RBI's credit to commercial sector $	825	14.9	−7	−0.1	918	14.5	7,260	−850	−13.4	93	1.3
B. Other banks' credit to commercial sector (i+ii+iii)	22,997	18.8	20,072	13.8	18,378	11.1	1,83,805	939	0.6	8,400	4.6
i) Bank credit by commercial banks	16,739	19.8	14,859	14.6	9,290	8.0	1,25,640	958	0.8	8,166	6.5
ii) Bank credit by co-operative banks	2,894	16.1	2,077	10.0	6,485	28.3	29,412	225	1.0	234	0.8
iii) Investments by commercial and co-operative banks in other approved securities	3,364	17.1	3,136	13.6	2,603	10.0	28,753	−244	−0.9	–	–
3. Net Foreign Exchange Assets of Banking Sector (A+B)	**18**	**0.3**	**1,854 ** (-4,694) @@**	**27.2 ** (-68.8) @@**	**10,855 ** (9,141) @@**	**125.2 ** (105.4)@@**	**19,527 ****	**-1,225 ** (-1,807)@@**	**—14.1 ** (-20.8) @@**	**849 ** (1,049) @@**	**4.3** (5.4)@@**
A. RBI's net foreign exchange assets (i-ii)	−133	−2.1	1,915	31.6	10,855	136.0	18,838	−1,225	−15.3	849	4.5
i) Gross foreign assets	−811	−11.8	5,149	84.9	12,400	110.5	23,617	−1,420	−12.7	681	2.9
ii) Foreign liabilities	−678	−100.0	3,234	L	1,545	47.8	4779	−195	-6.0	−168	−3.5
B. Other banks' net foreign exchange assets	151	25.2	−61	−8.1	–	–	689	–	–	–	–

Table VI-2 : SOURCES OF MONEY STOCK (M_3) (Concld.)

(Rupees crore)

Items	Variations during the financial year*						Out-standing as on March 31, 1992 @	Variations during the quarter*			
	1989-90		1990-91		1991-92@			April-June 1991		April-June 1992 @	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12
4. Government's Currency Liabilities to the Public	**80**	**5.4**	**66**	**4.2**	**75**	**4.6**	**1,696**	**22**	**1.4**	—	—
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A+B)	**7,139**	**18.2**	**10,149**	**21.9**	**-929**	**-1.6**	**55,498**	**-3,204**	**-5.7**	**-2,510**	**-4.5**
A. Net non-monetary liabilities of RBI	600	3.5	9,486	54.1	381	1.4	27,403	257	1.0	-2,195	-8.0
B. Net non-monetary liabilities of other banks (residual)	6,539	29.5	663	2.3	-1,310	-4.5	28,095	-3,461	-11.8	-315	-1.1

@ : Provisional.
* : Based on March 31, excepting scheduled commercial banks' data which pertains to last reporting Friday of March.
\# : Includes special securities.
$: RBI's credit to commercial sector excludes, since the establishment of NABARD, its refinance to banks.
** : Inclusive of appreciation in the value of gold following its revaluation close to international market price effective October 17, 1990. Such appreciation has a corresponding effect on Reserve Bank's net non-monetary libilities.
@@ : Excluding the revaluation of gold.
1. : Increase over zero.

wherein total post office deposits recorded an absolute fall of Rs. 150 crore as against an increase of Rs. 1,701 crore in the previous year. However, the accelerated expansion in M_4 at Rs. 49,106 crore (17.5 per cent) as compared to Rs. 36,579 crore (15.0 per cent) in 1990-91 was entirely due to larger accruals in bank deposits.

During 1991-92, the growth in reserve money was fractionally higher at 13.4 per cent (or Rs. 11,730 crore) as compared with an increase of 13.1 per cent (or Rs. 10,188 crore) during 1990-91.

Money Supply — Components

As mentioned earlier, all the components of M_3 experienced higher pace of expansion in 1991-92 as compared with 1990-91. The aggregate deposits recorded a sharp expansion of Rs. 40,850 crore (19.3 per cent) as compared to Rs. 28,054 crore (15.2 per cent) in the previous year. The increase was more pronounced in respect of demand deposits, which went up by more than twice that of the previous year — Rs. 12,813 crore or 32.7 per cent as against Rs. 5,008 crore or 14.7 per cent in the previous year. The unusual rise in demand deposits reflected the margin money deposits kept by the canalising agencies, and the volatility in money flows associated with the stock market boom. Time deposits with banks also experienced a larger increase of Rs. 28,037 crore (16.2 per cent) as compared with Rs. 23,046 crore (15.4 per cent) in 1990-91. The external deposit component was significant in the aggregate deposits, a rise of Rs. 5,606 crore as compared to Rs. 4,777 crore in the previous year. The expansion in currency with the public at Rs. 8,184 crore (15.4 per cent) was higher than that of Rs. 6,748 crore (14.6 per cent) in the previous year. 'Other' deposits with Reserve Bank registered an increase of Rs. 222 crore (32.9 per cent) which was substantially more than the increase of Rs. 76 crore (12.7 per cent) which occurred in 1990-91. The cash margins, monetised deficit and the Amnesty Scheme have generated sizeable amount of short-term funds with banks and these alongwith greater currency expansion have all tended to augment liquidity in the economic system.

Sources of Change in Broad Money

It was pointed out earlier that the main factor responsible for the marked acceleration in the growth of monetary aggregates during 1991-92 was the larger accretion of foreign exchange accruals. Since the inflows of foreign exchange were of overriding priority, measures of sterilising the inflow of these resources were not undertaken lest the measures should dampen such flows.

Both, net bank credit to Government and bank credit to commercial sector expanded at a much slower pace in 1991-92. Net bank credit to Government registered a lower expansion of Rs. 18,101 crore (12.9 per cent) as compared to Rs. 23,042 crore (19.7 per cent) in 1990-91. This trend of lower expansion was striking in net Reserve Bank credit to Central Government which increased by Rs. 5,508 crore (6.3 per cent) as against Rs. 14,745 crore (20.5 per cent) in the previous year. However, for most part of the year, the figures of net Reserve Bank credit to Central Government ruled far above this level before dropping sharply in the last week of the financial year. Based on the average of fortnightly figures of financial year variations, net Reserve Bank credit to Central Government (excluding March 31) rose by Rs. 10,390 crore, which was marginally higher than the corresponding figure of Rs. 10,167 crore during 1990-91. The expansion in other banks' credit to Government at Rs. 12,933 crore (25.2 per cent) was higher than that of Rs. 7,877 crore (18.1 per cent) in the previous year.

Bank credit to commercial sector also expanded at a lower pace at Rs. 19,296 crore (11.2 per cent) as compared with Rs. 20,065 crore (13.2 per cent) in 1990-91, due to a lower increase in other banks' credit to commercial sector. However, Reserve Bank's credit to commercial sector registered an increase of Rs. 918 crore (14.5 per cent) in contrast to a decline of Rs. 7 crore (-0.1 per cent) in the previous year. The lower order of expansion in bank credit to both Government and commercial sectors can be explained by the various measures of macro-economic stabilisation initiated by Government towards fiscal correction and tight monetary policy measures against the background

of high inflation and difficult external payments situation.

Net foreign exchange assets of the banking sector recorded a massive gain of Rs. 10,855 crore (125.2 per cent) as compared with that of Rs. 1,854 crore (27.2 per cent) in the preceding year. Excluding the appreciation in the value of gold due to revaluation, the increase in net foreign exchange assets was also high at Rs. 9,141 crore (105.4 per cent) as against a substantial reduction of Rs. 4,694 crore (-68.8 per cent) during 1990-91. Vigorous efforts made by the authorities to replenish the fast depleting foreign exchange reserves resulted in significantly large accruals in the form of India Development Bonds, FC (BO)D, etc.

A second important factor giving rise to substantial expansionary impulse in monetary growth during 1991-92 relates to the conspicuously reduced expansion in net non-monetary liabilities of the Reserve Bank. As against a higher expansion of Rs. 9,486 crore (54.1 per cent) in 1990-91, the expansion during 1991-92 was just Rs. 381 crore (1.4 per cent). The slower increase in this factor was essentially due to the exchange loss suffered by the Reserve Bank due to withdrawal/renewal of FCNR deposits which has been placed at Rs. 5,233 crore during the year ending March 31, 1992.

Seasonal Trends

During the slack season of 1991 (end-April to end-October), both M_1 and M_3 experienced higher growth rates as compared with the 1990 slack season. M_1 increased by Rs. 8,284 crore (8.7 per cent) as compared with an increase of Rs. 925 crore (1.1 per cent) in the previous slack season. M_3 also recorded a larger increase of Rs. 20,686 crore (7.6 per cent) as compared with Rs. 11,501 crore (4.8 per cent) in the slack season of the previous year. Except currency with the public, which showed a lower increase, all other components of M_3 registered larger expansion than that in the previous slack season. Source-wise, both net bank credit to Government and bank credit to commercial sector recorded marginally larger growth rates than in the 1990 slack season. Net foreign exchange assets of the banking sector, however, recorded a smaller increase than in the previous slack season.

The momentum of acceleration witnessed in the 1991 slack season in respect of the growth in M_1 and M_3 continued into the busy season also. During the 1991-92 busy season (end-October to end-April), M_1 recorded an increase of 15.5 per cent as compared with 11.0 per cent in the previous busy season. M_3 also registered a larger increase of 10.7 per cent than that of 9.2 per cent in the 1990-91 busy season. Component-wise, while currency with the public and demand deposits with banks grew at a faster rate, time deposits with banks grew at a slower rate than in the previous busy season. Source-wise, there was a deceleration in the growth of net bank credit to Government as well as bank credit to commercial sector. Net foreign exchange assets of the banking sector recorded a substantial increase in contrast to a considerable fall in the previous busy season (Table VI-3).

Reserve Money and Net Domestic Assets of the Reserve Bank

There was a slight acceleration in the pace of growth of reserve money from 13.1 per cent in 1990-91 to 13.4 per cent in 1991-92. In absolute terms, the increase in reserve money was Rs. 11,730 crore in 1991-92 as against Rs. 10,188 crore in the previous year. On a fortnightly average basis, the growth of reserve money at 15.5 per cent was lower than that of 17.0 per cent during 1990-91. This was mainly because the fiscal and monetary instruments were used by authorities actively to contain the reserve money growth. Of the components, while there was an acceleration in the growth of currency with the public and 'other' deposits with the Reserve Bank, the growth in bankers' deposits with the Reserve Bank was lower than that during 1990-91.

Source-wise, a substantial increase in the net foreign exchange assets of the Reserve Bank was the main factor responsible for reserve money growth. Net of the revaluation of gold, net foreign exchange assets of the Reserve Bank recorded a marked expansion of Rs. 9,141 crore (114.5 per cent) in contrast to a decline of Rs. 4,633 crore

Table VI-3 : SEASONAL VARIATIONS IN M3 AND ITS SOURCES OF CHANGE

(Rupees crore)

Item	Variations during Slack Season 1990 Absolute	Slack Season 1990 Percentage	Slack Season 1991 Absolute	Slack Season 1991 Percentage	Busy Season 1990-91 Absolute	Busy Season 1990-91 Percentage	Busy Season 1991-92@ Absolute	Busy Season 1991-92@ Percentage
1	2	3	4	5	6	7	8	9
I. M_1 (a+b(i) + c)	**925**	**1.1**	**8,284**	**8.7**	**9,513**	**11.0**	**16,148**	**15.5**
II. M_3 (a+b+c)	**11,501**	**4.8**	**20,686**	**7.6**	**23,044**	**9.2**	**31,340**	**10.7**
a. Currency with the public	833	1.7	330	0.6	5,931	11.9	8,734	15.6
b. Aggregate deposits with banks (i+ii)	10,496	5.6	18,983	8.8	17,245	8.7	22,811	9.7
i) Demand deposits	−80	−0.2	6,581	16.7	3,714	10.4	7,619	16.6
ii) Time deposits	10,576	6.9	12,402	7.0	13,531	8.3	15,192	8.0
c. 'Other' deposits with RBI	172	23.0	1,373	174.0	−132	−14.3	−205	−9.5
III. Sources of change in M_3 (1+2+3+4-5)								
1. Net Bank Credit to Government (A+B)	**11,446**	**9.4**	**13,713**	**9.5**	**11,651**	**8.8**	**6,646**	**4.2**
A. RBI's net credit to Government (i+ii)#	6,052	7.9	8,269	9.1	8,252	10.0	181	0.2
i) Net Claims on Central Government (a-b)	6,190	8.1	8,596	9.5	7,776	9.5	164	0.2
a. Claims on Central Government	6,304	8.3	8,613	9.6	7,531	9.1	163	0.2
b. Deposits of Central Government	114	62.0	17	32.1	−245	−82.2	−1	−1.4
ii) Net Claims on State Governments (a-b)	−138	−40.1	−327	−47.9	476	231.1	17	4.8
a. Claims on State Governments	−134	−37.4	−322	−46.6	467	208.5	15	4.1
b. Deposits of State Governments	4	28.6	5	55.6	−9	−50.0	−2	−14.3
B. Other banks' credit to Government	5,394	12.0	5,444	10.1	3,399	6.8	6,465	10.9
2. Bank Credit to Commercial Sector (A+B)	**4,222**	**2.8**	**5,210**	**3.0**	**16,123**	**10.3**	**18,285**	**10.2**
A. RBI's credit to commercial sector*	150	2.8	−868	−13.7	833	15.1	1,834	33.4
B. Other banks' credit to commercial sector (i+ii+iii)	4,072	2.8	6,078	3.6	15,290	10.1	16,451	9.5
i) Bank credit by commercial banks	2,180	2.1	1,265	1.1	12,034	11.3	11,703	9.8
ii) Bank credit by co-operative banks	293	1.4	4,016	17.5	1,957	9.3	2,664	9.9
iii) Investments by commercial and co-operative banks' in other securities	1,599	7.0	797	3.1	1,299	5.3	2,084	7.8
3. Net Foreign Exchange Assets of the Banking Sector (A+B)**	**3,741**	**57.3**	**2,620**	**36.9**	**−3,158**	**—30.8**	**9,377**	**96.4**
A. RBI's net foreign exchange assets (i-ii)	3,978	68.9	2,620	40.8	−3,334	−34.2	9,377	103.7
i) Gross foreign assets	4,832	83.7	4,443	46.0	−954	−9.0	9,099	64.5
ii) Foreign liabilities	854	$	1,823	56.4	2,380	278.7	−278	−5.5
B. Other banks' net foreign exchange assets	−237	−31.6	–	–	176	34.3	–	–
4. Government's Currency Liabilities to the Public	38	2.4	37	2.3	29	1.8	31	1.9
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A+B)	**7,946**	**17.8**	**894**	**1.6**	**1,601**	**3.0**	**2,999**	**5.4**
A. Net non-monetary liabilities of RBI	7,705	44.5	1,025	3.8	1,600	6.4	−1,323	−4.8
B. Net non-monetary liabilities of other banks (residual)	241	0.9	−131	−0.5	1	–	4,322	15.7

@ Provisional.

* RBI's credit to commercial sector excludes, since the establishment of NABARD, its refinance to banks.

\# Includes special securities.

** Inclusive of appreciation in the value of gold following its revaluation close to international market price effective October 17, 1990. Such appreciation has a corresponding effect on Reserve Bank's net non-monetary liabilities.

$ Increase over zero.

(-76.4 per cent) in the previous year. The increase in Reserve Bank's net claims on Government at Rs. 5,168 crore (5.8 per cent) was considerably lower than that of Rs. 15,165 crore (20.6 per cent) during 1990-91. Reserve Bank's claims on scheduled commercial banks declined in 1991-92 in contrast to an increase in the previous year. Net non-monetary liabilities of the Reserve Bank, an off-setting factor, recorded a subdued expansion than in the previous year, and therefore contributed less to the arresting of reserve money expansion (Table VI-4).

The Reserve Bank of India's net domestic assets (NDA)* showed a very small increase of Rs. 875 crore or 1.1 per cent in 1991-92 as against a larger increase of Rs. 8,273 crore or 11.6 per cent in the previous year. The targets on expansion of NDA and net RBI credit to the Central Government during 1991-92 were fully met (Table VI-5). As observed earlier, the continued volatility in these indicators has implied that the underlying growth of primary liquidity has been much larger than indicated by the end-of-period numbers.

Some Monetary Relationships

The year 1991-92 experienced certain peculiarities in the monetary relationships reflecting short-term responses to policy impulses and impulses from real and monetary sector developments. First, the fiscal and monetary instruments were used actively to contain the reserve money growth. Secondly, M_3 grew at a fast pace essentially due to the sizeable foreign exchange inflow and also the large average growth of primary liquidity from domestic sources. Thirdly, real GDP growth, targeted at 4.0 per cent, actually turned out to be lower at a little less than 2.0 per cent and the inflationary pressures strengthened. As a result of these factors, there occurred an increase in income velocity of currency as well as M_3. The incremental money multiplier ($\Delta M_3/\Delta RM$), on a point-to-point basis, also showed a substantial increase following reductions in both the currency-deposit ratio and the bank reserves-deposit ratio (Table VI-7). Bank reserves to aggregate deposits declined sharply during 1991-92 on a point-to-point basis whereas on average basis it showed an increase. The money multiplier ratios, i. e., the ratio of M_1 and M_3 to reserve money on all bases (unadjusted for changes in reserve requirements), depicted increases.

The movements in money multiplier after adjustment of 'reserve money'** for changes in cash reserve requirements are indicated in the Table below. The 'adjusted average money multiplier' increased from 4.146 in 1987-88 to 4.367 in 1990-91 and to 4.407 in 1991-92. The incremental money multiplier also increased from 4.554 in 1990-91 to 4.664 in 1991-92.

	Average of reporting Fridays				
	1987-88	1988-89	1989-90	1990-91	1991-92@
1	2	3	4	5	6
Average Money Multiplier					
M_3/RM (adjusted)	4.146	4.266	4.337	4.367	4.407
Incremental Money Multiplier					
$\Delta M_3/\Delta RM$ (adjusted)	3.845	4.808	4.761	4.554	4.664

@ Provisional.

Income-Velocity of Money

The income-velocity of broad money, i. e., the ratio of GDP at current market prices to M_3 had increased from 2.115 in 1989-90 to 2.124 in 1990-91. It showed a further fractional increase to 2.126 in 1991-92. The income-velocity of M_1, however, showed a decline from 6.061 in 1990-91 to 5.945 in 1991-92 (Table VI-8).

Monetary Programme for 1992-93

The monetary programme for 1992-93 includes *inter alia* quarterly ceilings on net domestic assets (NDA) of the RBI and a sub-ceiling on net RBI credit to the Centre; there is also a quarterly indicative ceiling on total net bank credit to genera

* Net domestic assets equal to reserve money *minus* net foreign exchange assets of RBI.

** The series are based on the 'average daily balances' maintained by banks during the reporting fortnights. The adjusted reserve money is derived by adjusting for over 3 per cent in cash reserve ratio and incremental reserve requirements as also for net defaults of commercial banks with respect to average and incremental reserve requirements. For details of the concept and methodology of working out the adjusted reserve money series, reference may be made to 'Reserve Money-Concepts and Policy Implications for India', in Reserve Bank of India Occasional Papers (Vol. 5, No. 1) June 1984.

Table VI-4 : RESERVE MONEY : COMPONENTS AND ITS SOURCES OF CHANGE

(Rupees crore)

Item	Variations during financial year**				Outstanding as on March 31, 1992@	Variations during the quarter**			
	1990-91		1991-92@			April-June 1991		April-June 1992@	
	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10
RESERVE MONEY (1+2+3+4)	**10,188**	**13.1**	**11,730**	**13.4**	**99,509**	**4,725**	**5.4**	**6,027**	**6.1**
1. Currency with public	6,748	14.6	8,184	15.4	61,232	3,737	7.0	2,719	4.4
2. 'Other' deposits with RBI	76	12.7	222	32.9	896	734	108.9	4,990	556.9
3. Cash on hand with banks	248	12.5	265	11.9	2,499	482	21.6	317	12.7
4. Bankers' deposits with RBI	3,116	10.9	3,059	9.6	34,882	−228	−0.7	−1,999	−5.7
Sources of change in Reserve Money (1+2+3−4)									
1. Reserve Bank's claims on (a+b+c+d)	**17,693**	**20.2**	**1,181**	**1.1**	**1,06,378**	**6,185**	**5.9**	**2,983**	**2.8**
a) Government (net) #	15,165	20.6	5,168	5.8	94,016	7,081	8.0	2,320	2.5
of which Central Government	14,745	20.5	5,508	6.3	92,266	9,169	10.6	3,912	4.2
b) Scheduled commercial banks	2,367	52.7	−5,613	−81.8	1,249	−242	−3.5	882	70.6
c) State co-operative banks	−22	−40.0	−17	−51.5	16	−14	−42.4	−3	−18.8
d) Financial Institutions (i+ii+iii)	183	2.0	1,643	17.4	11,097	−640	−6.8	−216	−1.9
i) NABARD	190	6.5	725	23.3	3,837	210	6.7	−309	−8.1
ii) IDBI	−117	−3.1	−128	−3.5	3,577	–	–	–	–
iii) Others	110	4.4	1,046	39.7	3,683	−850	−32.2	93	2.5
2. Net Foreign Exchange Assets of RBI (NFEA)	**1915*** (-4,633)$	**31.6*** (-76.4)$	**10,855*** (9,141)$	**136.0*** (114.5)$	**18,838***	**—1225*** (-1,807)$	**—15.3*** (-22.6)$	**849*** (1,049)$	**4.5*** (5.6)$
3. Government's Currency Liabilities to the Public	**66**	**4.2**	**75**	**4.6**	**1,696**	**22**	**1.4**	-	-
4. Net non-monetary liabilities of RBI	**9,486**	**54.1**	**381**	**1.4**	**27,403**	**257**	**1.0**	**-2,195**	**-8.0**

@ Provisional.

Includes special securities

* Inclusive of appreciation in the value of gold following its revaluation close to international market price effective October 17, 1990. Such appreciation has a corresponding effect on Reserve Bank's net non-monetary liabilities.

** Based on March 31, excepting scheduled commercial banks' data which pertain to last reporting Friday of March.

$ Excluding the revaluation of gold.

Table VI-5 : CEILING ON NET DOMESTIC ASSETS AND ACTUAL PERFORMANCE

(Rupees crore)

Item	Outstanding as on March 31, 1991	Targeted Expansion over March 31, 1991				Targeted Outstanding as on March 31, 1992	Actual Performance : Expansion Over March 31, 1991				Actual Outstanding as on March 31, 1992
		End-September 1991	End-Oct. (Nov. 1) 1991	End-December 1991	End-March 1992		End-(Sept. 20) 1991	End-Oct. (Nov. 1) 1991	End-(Dec. 27) 1991	End-(March 31) 1992	
1	2	3	4	5	6	7	8	9	10	11	12
Reserve Money (RM)'	87,779	3,921	9,340	9,340	13,682	1,01,430	2,063	3,437	8,331	11,730	99,509
Net Domestic Assests (NDA)	79,796	5,094	10,140 (8,023)@	10,140 (8,023)@	14,584 (12,870)@	94,350 (92,636)@	2,176	1,583	1,924	875	80,671
RBI Credit to Government	88,848	10,012	10,040	10,110	7,712	96,560	7,062	7,880	8,146	5,168	94,016
of which :											
Credit to Centre	86,758	12,002	12,000	12,000	8,802	95,560	8,891	9,565	9,812	5,508	92,266
RBI claims on others	16,349	−2,418	−590	3,030	10,372	26,720	−3,436	−5,913	-6,218	−3,987	12,362
of which:											
i) Banks	10,007						−2,527	−5,027	-5,408	−4,905	5,102
ii) Commercial Sector	6,342						−909	−886	-810	918	7,260
Other items (net)	25,401	2,499	2,670	3,000	3,499	28,930	1,450	384	4	306	25,707
Net Foreign Assets	7,983	−1,173	−1,040	−800	−903	7,080	−113	1,854	6,407	10,855	18,838
RM Components :											
Currency	−	−	−	−	−	−	775	3,274	6,347	8,449	63,731
Bankers' Deposits							948	−95	1,753	3,059	34,882

@ Figures in brackets are net of the increase in gold value over the amount of Rs. 6,548 crores valued at the base price of Rs. 6,388 per ounce as on March 31, 1991.

Table VI-6 : MONETARY PROGRAMME FOR 1992-93

(Rupees crore)

Item	Outstanding as on March 31, 1992P	Targeted Expansion over March 31, 1992				Targeted Outstanding as on March 31, 1993	Actual Performance: Expansion at End-June 1992 over March 31, 1992P
		End-June 1992	End-September 1992	End-December 1992	End-March 1993		
1	2	3	4	5	6	7	8
1. Reserve Money							
Reserve Money	99,509	7,100	5,900	10,900	13,700	1,13,200	6,027
Net Domestic Assets (NDA)	80,671	10,900 (11,100) @	9,300	13,600	16,200	96,900	5,178
RBI credit to Government	94,016	7,300	7,500	7,400	5,800	99,200	2,320
0/w credit to Centre	92,266	7,400	7,600	7,000	6,100	98,400	3,913
RBI claims on others	12,362	3,700	2,100	6,500	10,700	23,100	663
o/w (i) banks	5,102						570
(ii) commercial sector	7,260						93
Other items (net)	25,707					25,100	-2,195
Net Foreign Assets	18,838	-3,800	−3,400	−2,700	−2,500	16,300	849
2. Indicative Target							
Net bank credit to General Government (Ceiling)	1,58,294	9,400	10,600	11,400	10,400	16,870	6,391 (4.0)
Broad Money (M3)	3,15,084	9,600 (3.0)	11,700 (3.7)	25,200 (8.0)	32,700 (10.4)	3,47,800	18,243 (5.8)

@ Net of the revaluation of Rs. 200 crore in gold value up to June 1992 over the amount of Rs. 8,894 crore valued at the base price of Rs. 8,011 per ounce as on March 31, 1992 other adjustments have not been made. Figures in brackets represent percentages.

P : Provisional.

Table VI-7 : MONETARY RATIOS

Item	1987-88	1988-89	1989-90	1990-91	1991-92P
1	2	3	4	5	6
A. Point-to-point basis as on March 31					
a) Currency/Aggregate deposits	0.258	0.248	0.252	0.250	0.242
b) Currency/M_3	0.204	0.198	0.200	0.200	0.194
c) Aggregate deposits/M_3	0.793	0.798	0.797	0.798	0.803
d) Bank reserves/Aggregate deposits	0.150	0.155	0.167	0.161	0.148
Incremental Ratios					
a) Δ Currency/Δ Aggregate deposits	0.298	0.198	0.269	0.241	0.200
b) Δ Currency/Δ M_3	0.229	0.163	0.213	0.193	0.166
c) Δ Aggregate deposits/Δ M_3	0.767	0.827	0.790	0.804	0.829
d) Δ Bank reserves/Δ Aggregate deposits	0.197	0.182	0.228	0.120	.0.081
Money Multiplier					
a) M_1/RM*	1.095	1.061	1.045	1.058	1.147
b) M_3/RM*	3.071	3.073	2.977	3.028	3.166
Incremental Money Multiplier					
a) Δ M_1/Δ RM*	0.811	0.869	0.975	1.161	1.809
b) Δ M_3/Δ RM*	2.608	3.086	2.560	3.423	4.199
B. Average of all reporting Fridays of months from April-March $					
a) Currency/Aggregate deposits	0.259	0.250	0.250	0.253	0.248
b) Currency/M_3	0.205	0.200	0.200	0.201	0.198
c) Aggregate deposits/M_3	0.793	0.798	0.798	0.795	0.797
d) Bank reserves/Aggregate deposits	0.149	0.153	0.151	0.146	0.150
Incremental Ratios					
a) Δ Currency/Δ Aggregate deposits	0.244	0.204	0.250	0.268	0.224
b) Δ Currency/Δ M_3	0.196	0.169	0.199	0.208	0.182
c) Δ Aggregate deposits/Δ M_3	0.802	0.828	0.796	0.776	0.813
d) Δ Bank reserves/Δ Aggregate deposits	0.255	0.179	0.138	0.116	0.175
Money Multiplier					
a) Δ M_1/Δ RM*	1.083	1.061	1.077	1.082	1.116
b) Δ M_3/Δ RM*	3.077	3.084	3.096	3.086	3.122
Incremental Money Multiplier					
a) Δ M_1/Δ RM*	0.772	0.930	1.163	1.109	1.342
b) Δ M_3/Δ RM*	2.482	3.127	3.159	3.026	3.353

RM = Reserve Money
* Not adjusted for changes in reserve requirements
P Provisional.
$ Average of outstandings of all reporting Fridays of months during from April-March and of March 31.

Note: 1. Bank reserves comprise of cash with banks and bankers' deposits with RBI.
2. Reserve Money comprises of currency with the public, bank reserves and 'other' deposits with RBI.
3. Money multiplier refers to ratio of money supply or aggregate monetary resources to reserve money.

Table VI-8 : INCOME VELOCITY OF NARROW MONEY (M1) AND BROAD MONEY (M3)

(Rupees crore)

Financial Year	Gross Domestic Product (at Current Market Prices)		Currency with the Public*		Aggregate Deposits (AD)*		Narrow Money (M_1)*		Broad Money (M_3)*		Average Income Velocity of			
	Amount	Annual Percentage increase	Amount	Average Annual Percentage	Amount	Average Annual Percentage increase	Amount	Average Annual Percentage increase	Amount	Average Annual Percentage increase	Currency	Aggregate Deposits (AD)	Narrow Money (M_1)	Broad Money (M_3)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1987-88	3,32,616	13.9	31,490	16.4	1,21,744	17.5	54,039	15.0	1,53,546	17.3	10.563	2.732	6.155	2.166
1988-89	3,94,992	18.8	35,934	14.1	1,43,556	17.9	61,877	14.5	1,79,884	17.2	10.992	2.751	6.384	2.196
1989-90	4,50,601	14.1	42,678	18.8	1,70,554	18.8	74,370	20.2	2,13,807	18.9	10.558	2.642	6.059	2.115
1990-91	5,29,537	17.5	50,046	17.3	1,98,066	16.1	87,375	17.5	2,49,282	16.6	10.581	2.674	6.061	2.124
1991-92P	6,19,000	16.9	57,661	15.2	2,32,092	17.2	1,04,121	19.2	2,91,130	16.8	10.735	2.667	5.945	2.126

* Average of all reporting Fridays of months during April-March and of March 31.

P Provisional.

Government as defined in the 'monetary survey' data. These are circumscribed by the overall monetary growth targets of about 10.4 per cent over the year. The quarterly NDA ceilings are to be adjusted for (i) changes in official exchange rate, (ii) changes in the valuation of gold, (iii) changes in reserve requirements and (iv) changes in net international reserves. Compliance of the ceilings of RBI variables, i. e., NDA and net RBI credit to Central Government, will be determined by taking a simple average of four Fridays leading up to and including the last reporting Friday for the June, September and December quarters; for the March 1993 quarter it would be the average of the four Fridays and March 31 after closure of Government accounts.

As set out in Table VI-6, the performance during the first quarter (April-June 1992) in respect of NDA and net RBI credit to the Centre, as also the net bank credit to the general Government, have been met. The broad money growth, however, has been higher than the targeted trajectory.

Monetary Trends during April-June 1992

During the first quarter of the current financial year 1992-93, there was faster expansion in M_3 as well as M_1. M_3 increased by Rs. 18,243 crore (5.8 per cent) as against Rs. 12,535 crore (4.7 per cent) in the comparable quarter of previous year. M_1 experienced a moderate increase of Rs. 7,753 crore (6.8 per cent) as compared with Rs. 6,267 crore (6.7 per cent) in the first quarter of 1991-92. Component-wise, while currency with the public and demand deposits with banks recorded lower increases, time deposits with banks registered larger expansion than in the comparable quarter of the previous year. During the quarter April-June 1992, 'other' deposits with the Reserve Bank showed a phenomenal increase. Source-wise, while the increase in net bank credit to Government was to a lower extent, bank credit to commercial sector recorded a considerably larger expansion than that in the corresponding quarter of 1991-92. Net foreign exchange assets of the banking sector also experienced a modest rise (Rs. 849 crore), thus contributing to M_3 expansion, in contrast to a sizeable fall of Rs. 1,225 crore in April-June 1991. Net of revaluation of gold, this increase was much larger at Rs. 1,049 crore in contrast to a still larger decline of Rs. 1,807 crore in the first quarter of 1991-92.

The growth of reserve money at Rs. 6,027 crore (6.1 per cent), during the first quarter of the current financial year 1992-93, was larger than that of Rs. 4,725 crore (5.4 per cent) experienced in the corresponding quarter of 1991-92. Component-wise, as stated earlier, the phenomenal increase in 'other' deposits with the Reserve Bank contributed to the large reserve money growth. Source-wise, while net bank credit to Government increased at a lower pace, there was a modest accretion to net foreign exchange assets of the Reserve Bank in contrast to a sizeable decline in the comparable period of 1991-92. A massive decline in net non-monetary liabilities of the Reserve Bank, an off-setting factor, influenced reserve money growth to a large extent during the quarter April-June 1992.

Currency and Coinage

During the financial year 1991-92, the expansion in currency in circulation (comprising currency with the public and cash with banks) at Rs. 8,448 crore (15.3 per cent) was higher than that of Rs. 6,997 crore (14.5 per cent) in 1990-91 (Table VI-9). Notes in circulation, the major component of currency, showed an increase of Rs. 8,373 crore (15.6 per cent) which was considerably larger than the increase of Rs. 6,931 crore (14.8 per cent) in the previous year. The share of notes in total currency in circulation increased from 97.1 per cent in 1990-91 to 97.3 per cent in 1991-92. While the increase in circulation of rupee coins was larger, the increase in circulation of small coins was to a smaller extent than in the previous year. The share of rupee coins in total currency was lower at 1.5 per cent as at the end of March 1991 as compared with 1.7 per cent, a year ago. The share of small coins in total currency remained unchanged at 1.2 per cent at end-March 1992.

During the quarter (April-June) of 1992-93, the expansion in currency in circulation at Rs. 3,037 crore was substantially lower than that of Rs. 4,219 crore in the corresponding quarter of 1991-92.

Table VI-9 : DETAILS OF CURRENCY IN CIRCULATION

(Rs. crores)

Financial year	Notes in circulation		Circulation of rupee coins		Circulation of small coins		Currency in circulation		of which with banks	
	Outstanding	Variation over the previous year	Outstanding	Variation over the previous year	Outstanding	Variation over the previous year	Outstanding	Variation over the previous year	Outstanding	Variation over the previous year
1	2	3	4	5	6	7	8	9	10	11
1989-90	46,730 (96.8)	+8,086	916 (1.9)	+23	639 (1.3)	+57	48,285 (100.0)	+8,166	1,986	+196
1990-91	53,661 (97.1)	+6,931	936 (1.7)	+20	685 (1.2)	+46	55,282 (100.0)	+6,997	2,234	+248
1991-92 P	62,034 (97.3)	+8,373	967 (1.5)	+31	729 (1.2)	+44	63,730 (100.0)	+8,448	2,499	+265
Quarter ended June 1991	57,858 (97.2)	+4,197	948 (1.6)	+12	695 (1.2)	+10	59,501 (100.0)	+4,219	2,716	+482
Quarter ended June 1992 P	65,071 (97.5)	+3,037	967 (1.4)	–	729 (1.1)	–	66,767 (100.0)	+3,037	2,816	+317

P. Provisional.

Note : 1. Figures in brackets are proportions to total currency.

2. Financial year data relate to March 31.

Data on denomination-wise share of notes and total notes issued during the period 1981 to 1990 are presented in Table VI-10. As mentioned in the last year's Report, the trend in the secular shift in the composition of notes in circulation from lower denomination to higher denomination notes, reflecting *inter-alia*, the declining purchasing power of money, continued during 1989-90. The ratio of notes in the denominations of Rs. 2 to Rs. 20 to the total notes issued registered a further decline. Similarly, the ratio of the notes in the higher denominations of Rs. 50 to Rs. 500 also showed a further increase. However, the ratio of notes in the denomination of Rs. 100 showed a sharp fall from 55.4 per cent in 1988-89 to 50.8 per cent in 1990-91.

Table VI-10 : Denomination-wise Share of Notes in Total Notes Issued

(Percentage)

End of March	Rs. 2	Rs. 5	Rs. 10	Rs. 20	Rs. 50	Rs. 100	Rs. 500	Total (2 to 8)	Share of Total Notes Issued in Total Currency Issued*
1	2	3	4	5	6	7	8	9	10
1981	2.2	4.6	15.3	7.9	16.1	53.9	—	100.0	95.8
1982	2.6	4.7	13.4	8.2	18.4	52.7	—	100.0	95.9
1983	2.5	4.7	10.4	8.3	17.5	56.6	—	100.0	96.3
1984	2.3	5.0	8.8	7.3	18.1	58.5	—	100.0	96.7
1985	2.4	5.3	9.4	7.0	16.7	59.2	—	100.0	96.9
1986	2.5	5.1	9.9	7.0	16.8	58.7	—	100.0	96.5
1987	2.4	4.5	8.7	6.6	18.3	59.5	—	100.0	96.1
1988	2.0	4.2	8.4	6.9	21.5	56.5	0.5	100.0	96.2
1989 @	1.8	3.2	2.8	7.6	28.5	55.4	0.7	100.0	94.6
1990 @	1.7	2.9	2.7	6.9	31.3	50.8	3.7	100.0	95.0

* Inclusive of issue of small coins.

@ Data are provisional.

Issue of Notes and Coins

During the financial year 1991-92, decimal coins of various denominations valued at Rs. 29.79 crore were minted.

Commemorative coins of Re. 1/- were issued for general circulation on the following occasions during the year:

a) One rupee coin with the inscription "Commonwealth Parliamentary Conference—1991" was released for circulation on September 21, 1991 on the occasion of celebration of 37th Parliamentary Conference;

b) One rupee coin on the theme "India Tourism year—1991" was issued on December 25, 1991; and

c) One rupee coin in commemoration of the death anniversary of late Shri Rajiv Gandhi was released for circulation on May 21, 1992 with the inscription "Shri Rajiv Gandhi".

The new series of notes issued by the Reserve Bank include those in the denominations of Rs. 5, Rs. 10, Rs. 50, Rs. 100 and Rs. 500 with minor modifications in the existing designs as per the descriptions presented below:

a) Notes in the denomination of Rs. 10 (yatch design), Rs. 50, Rs. 100 and Rs. 500 with the signature of Shri S. Venkitaramanan, Governor;

b) Ten rupee notes with new design without intaglio (Shalimar garden);

c) Two rupee notes, five rupee notes and fifty rupee notes with the capital letter 'B' inset in the numbering panels, and

d) One hundered rupee notes with capital letter 'A' inset in the numbering panel.

Besides these, Re. 1 notes with the signature of Shri Montek Singh Ahluwalia, Secretary, Ministry of Finance have also been issued.

Lost, Destroyed and Mutilated Notes

During the year 1991-92, various offices of the Reserve Bank received 2.12 lakh claims in respect of mutilated notes involving 270.56 lakh pieces and valued at Rs. 28.15 crore. As against these, 1.78 lakh claims in respect of 217.22 lakh pieces amounting to Rs. 26.97 crore were approved for payment. Payments against approved claims totalled Rs. 23.00 crore.

It may be recalled that from June 1985 onwards, currency chest branches of public sector banks have also been granted power to accept mutilated notes from members of public and pay exchange value where applicable under the RBI (Note Refund) Rule. As may be seen from the Statement 139, the number of claims received by the currency chest branches of public sector banks including State Bank of India and its associates in respect of mutilated notes has been substantially large; in the year 1991-92, the amount of such claims received at Rs. 3,059.41 lakh was 52.0 per cent the total claims received by all offices including RBI. Of this, the State Bank of India and its associates accounted for Rs. 1, 233.54 lakh, i.e. 40.3 per cent.

Note Forgeries

Reports from various offices indicate that the volume of forged/counterfeit notes in circulation has increased. The total number of forged notes including one rupee notes detected at the issue offices of the Reserve Bank and branches of other banks throughout the country increased considerably from 14,009 pieces in 1990-91 to 39,772 pieces in 1991-92. The value of the forged notes detected during the financial year 1991-92 went up to Rs. 22.94 lakh against Rs. 4.63 lakh during the previous financial year.

Currency Management

There has not been much improvement in the position regarding the availability of fresh notes. The volume of supplies from the existing two note printing presses at Nasik and Dewas has remained, more or less, static for quite sometime. With the increase in demand for fresh notes, the gap between demand and supply has been widening and the supply constraints were acute in respect of higher denomination notes giving rise to complaints of non-availability of fresh notes. Under the circumstances, the Bank had to necessarily advise

all the currency chests to sort out notes and salvage maximum number of reissuable notes on a continuing basis and to ensure that surplus/deficit chests are identified to effect inter and intracircle diversions. As a sequel to this move and the recycling of soiled notes, there has been deterioration in the quality of currency notes held with the public as also the currency chests. The immediate need to augment the supply of fresh notes in higher denominations to meet the ever increasing demand continues to be of paramount importance.

New Note Press Project

The pace of civil construction including provision of various infrastructural facilities required at the project site at Mysore (Karnataka) and Salboni (West Bengal) for the new note printing presses has progressed further during the year under review. The New Notes Press Project had reinvited tenders for possible use of web technology for printing notes of lower denominations. On the basis of a techno-economic re-assessment, however, it has been decided to go in for sheet technology for all denominations of notes. As part of the tender processing for the main plant and equipment, the financial packages offered by the tenderers have been evaluated and the choice of successful tenderer is expected to be finalised shortly.

Committee on Currency Management

A mention was made in the last year's report that a Standing Group and a small In-House Committee were formed by the Ministry of Finance and the Reserve Bank, respectively, with a view to implementing the recommendations of the Report of the Committee on Currency Management, insofar as they concern matters relating to the Government and the Reserve Bank. The Standing Group has so far taken certain decisions, notable among these being coinisation of notes in denominations of Re. 1/-, Rs. 2/- and Rs. 5/- in a phased manner by 1995, besides finalisation of the specifications/designs thereof and to bring out a new family of notes of reduced sizes coinciding with the commencing of the two New Note Presses at Mysore and Salboni. Besides, the existing production capacity of the Nasik Press for lower denomination notes is now being utilised for printing notes in denominations of Rs. 10/- and above, foreseeing the fact that the demand for such notes has gone up. The recommendations of the Committee insofar as they concern the changes in the system and the procedures within the Bank, a decision was taken by the In-House Committee, referred to earlier, which later on was also endorsed by the Bank's Top Management, that the changes envisaged should be made known to the All India Reserve Bank Employees' Association and All India Reserve Bank Workers' Federation. Accordingly, the envisaged changes in the system and procedures were made known to the above two bodies by way of presentations with a view to eliciting their reactions towards ensuring smooth implementation thereof. The recommendations insofar as they concern the Currency Chests were made known to the respective banks by the Reserve Bank's officials at separate meetings with the Cash/Treasury officials of the respective banks at Bombay, Calcutta, Madras and New Delhi and were well received.

Trends in Bullion Prices

*Gold**

The year 1991-92 was yet another landmark period for the precious metals and gold in particular. Closely following the repeal of Gold Control Act in the Union Budget for 1991, the Union Budget of 1992-93 announced a few important liberalisation measures which include introduction of partial convertibility of the Rupee in the form of liberalised exchange rate management system (LERMS) and a new gold import policy which allowed legal import of gold by Non-resident Indians (NRIs) and Returning Indians (RIs). Further, the Budget also proposed a Gold Bond Scheme as also the setting up of a Gold Bank which are intended to mobilize idle gold holdings of the public for their productive utilisation. The legal import of gold by NRIs or RIs would make relative cost of illegal gold supply high in relation to regular imports and by improving legal supplies, reduce the gap between the domestic and international market prices of gold. In response to these developments, domestic price of gold received a major set back in terms of trend reversal,

* Trends in gold prices in international market are reviewed in Chapter XI : Balance of Payments and International Monetary Developments.

decline in the premium of domestic gold price over international gold price and reduction in the inflow of contraband gold.

During 1991-92, the domestic price of gold which displayed firm uptrend till January 1992 saw a distinct downtrend thereafter following the announcement of the new gold policy in the Union Budget, 1992-93. In the first four months of 1992-93 also gold price maintained a subdued trend.

In the Bombay bullion market, gold price which opened at Rs. 3,538 per 10 grams in March 1991 increased to Rs. 4,931 per 10 grams (or by 39 per cent) in January 1992, but thereafter declined to Rs. 4,248 (or by 14 per cent) in March 1992. On annual average basis, gold price registered an increase of 18.4 per cent in 1991-92 as against an increase of 6.9 per cent in 1990-91.

The upward trend in the domestic gold price could be attributed *inter alia* to high off-take due to busy marriage and festive season against low arrival of contraband gold following large-scale seizures by the Customs. Increased upcountry advices coupled with sustained speculation also aided the bullish sentiment in gold price.

As said earlier, the increasing trend in gold price experienced a major reversal from March 1992 onwards following the announcement of the new gold import policy in the Union Budget, 1992-93. Under the policy, Non-resident Indians (NRIs) or Returning Indians (RIs) with a stay abroad of six months or more are allowed to import gold as part of their baggage up to 5 kilogram in any form subject to payment of import duty in any convertible foreign currency. The rate of duty which was initially fixed at Rs. 450 per 10 grams has been reduced to Rs. 220 per 10 grams. Some other factors, such as, tight money conditions because of closure of the stock market, during April-June, 1992, following the detection of irregularities in securities transactions also have had an impact for the weak sentiment in domestic gold price during the four-month period April-July 1992.

Consequently, the premium on the Bombay gold price over the London gold price (measured by the FEDAI's indicative exchange rate for the rupee) narrowed down considerably from 56.1 per cent in March 1991 to 33.6 per cent in March 1992 and further to 20.0 per cent in July 1992.

Silver

Silver price showed a firm trend throughout the financial year 1991-92 and reached a historically high peak of Rs. 9,390 per kilogram on January 16, 1992. The unusually high rise in silver price during the year may be explained by the spurt in the industrial demand, particularly from the electronics and silver-plating industry in the face of acute paucity of ready stocks with the offerings remaining at a low ebb and continued speculative support alongwith the bullish upcountry advices.

The average price of silver (0.999 fineness) in the Bombay market in March 1992 increased further by 17.7 per cent compared to an increase of 0.6 per cent in March 1991. The average price of silver in the Bombay market in 1991-92 recorded a rise of 8.5 per cent as compared with a fall of 1.2 per cent in 1990-91. In the international market, silver price showed a mixed trend. The estimated premium on monthly average of silver price in Bombay over the average price in New York narrowed down sharply to 99.8 per cent in March 1992 from 174.1 per cent in March 1991. In the subsequent two months, the premium narrowed down to 100.5 per cent and to 84.0 per cent respectively but increased to 96.6 per cent in July 1992.

Table VI-11 : GOLD PRICES IN BOMBAY AND LONDON
(Monthly Averages)

(Rupees per 10 grams)

Month		Bombay	London	London (US Dollars per troy ounce)	Spread between Bombay and London Prices	
					Absolute	Percentage
1		2	3	4	5	6
March	1976	535.04	388.71	132.68	146.33	37.6
March	1985	2097.27	1256.06	303.20	841.21	67.0
March	1986	2128.43	1365.92	346.09	762.51	55.8
March	1987	2606.42	1700.23	408.85	906.19	53.3
March	1988	3209.09	1851.25	443.49	1357.84	73.3
March	1989	3153.25	1943.13	390.27	1210.12	62.3
March	1990	3316.92	2169.93	393.66	1146.99	52.9
March	1991	3520.70	2256.06	363.39	1264.64	56.1
March	1992	4247.79	3178.62	344.64	1069.17	33.6
1991-92						
April	1991	3583.35	2294.56	358.05	1288.79	56.2
May	1991	3750.77	2379.56	357.13	1371.21	58.0
June	1991	3733.87	2477.25	366.43	1256.62	50.7
July	1991	4065.54	3027.32	368.01	1038.22	34.3
August	1991	4187.08	2957.29	356.66	1229.79	41.6
September	1991	4246.48	2898.23	348.46	1348.25	46.5
October	1991	4491.28	2987.56	358.83	1503.72	50.3
November	1991	4713.55	2997.23	360.50	1716.32	57.3
December	1991	4883.20	3010.74	361.88	1872.46	62.2
January	1992	4930.84	2953.14	354.33	1977.70	67.0
February	1992	4737.79	2948.29	353.85	1789.50	60.7
March	1992	4247.79	3178.62	344.64	1069.17	33.6
1991-92						
April	1992	4497.18	3365.70	338.73	1131.48	33.6
May	1992	4176.77	3287.43	337.04	889.34	27.1
June	1992	4110.15	3313.26	340.78	796.89	24.1
July	1992	4136.55	3428.00	352.45	690.19	20.0

Notes: 1. Based on closing quotations for Bombay Market and morning fixing for London Market.
2. The conversion factor is 1 ounce = 0.0311035 kg.
3. Till February 1992, the price has been worked out after converting the quotations in dollars per troy ounce in London market into rupees per 10 grams, at the cross rates based on the daily average of spot buying and selling rates of U.S. dollars in London and average of Reserve Bank's spot buying and selling rates of sterling. For March, 1992 the quotations have been converted at the daily average of FEDAI's spot buying and selling rate of U.S. dollars in Bombay.

Sources: 1. Bombay Bullion Association, Bombay 2. Press Trust of India.

Table VI-12 : GOLD PRICES IN BOMBAY AND LONDON
(Financial Year Averages)

(Rupees per 10 grams)

Year	Bombay	London	London (US Dollars per troy ounce)	Spread between Bombay and London Prices	
				Absolute	Percentage
1	2	3	4	5	6
1970-71	184.96	88.71	36.81	96.25	108.5
1975-76	544.99	416.06	149.48	128.93	31.0
1980-81	1522.44	1484.67	584.92	37.77	2.5
1981-82	1719.17	1209.94	420.95	509.23	42.1
1982-83	1722.54	1250.38	401.43	472.16	37.8
1983-84	1858.47	1342.06	404.15	516.41	38.5
1984-85	1983.92	1293.78	340.01	690.14	53.3
1985-86	2125.47	1289.72	327.75	835.75	64.8
1986-87	2323.49	1577.02	383.33	746.47	47.3
1987-88	3082.43	1912.54	458.84	1169.89	61.2
1988-89	3175.22	1960.38	422.01	1214.84	62.0
1989-90	3229.33	2063.01	384.79	1166.32	56.5
1990-91	3451.50	2164.26	374.65	1287.24	59.5
1991-92	4297.63	2841.08	357.40	1456.55	51.3

Notes: 1. Based on closing quotations for Bombay Market and morning fixing for London Market.
2. The conversion factor is 1 ounce = 0.0311035 kg.
3. Till February 1992, the price has been worked out after converting the quotations in dollars per troy ounce in London market into rupees per 10 grams, at the cross rates based on the daily average of spot buying and selling rates of U.S. dollars in London and average of Reserve Bank's spot buying and selling rates of sterling. For March, 1992 the prices have been converted at the daily average of FEDAI's spot buying and selling rate of U.S. dollars in Bombay.

Sources: 1. Bombay Bullion Association, Bombay
2. Press Trust of India.

Table VI-13 : SILVER PRICES IN BOMBAY AND NEW YORK
(Monthly Averages)

(Rupees per kg.)

Month		Bombay	New York	New York (Cents per troy ounce)	Spread between Bombay and New York Prices	
					Absolute	Percentage
1		2	3	4	5	6
March	1976	1,163.56	1,227.30	418.90	−63.74	−5.2
March	1985	3,937.05	2,490.48	601.36	1,446.57	58.1
March	1986	3,999.00	2,226.34	564.13	1,772.66	79.6
March	1987	4,778.50	2,366.40	568.98	2,412.10	101.9
March	1988	6,175.95	2,676.86	641.28	3,499.09	130.7
March	1989	6,803.63	2,951.56	592.98	3,882.07	131.5
March	1990	6,712.08	2,795.75	505.82	3,925.49	140.9
March	1991	6,754.22	2,464.17	396.90	4,290.05	174.1
March	1992	7,948.92	3,978.92	410.36	3,970.00	99.8
1991-92						
April	1991	6,710.31	2,546.07	397.20	4,164.24	163.6
May	1991	6,909.68	2,676.29	404.14	4,233.39	158.2
June	1991	6,837.00	2,967.01	438.85	3,869.99	130.4
July	1991	7,018.15	3,533.46	430.38	3,484.69	98.6
August	1991	6,867.88	3,265.00	393.88	3,602.88	110.3
September	1991	6,996.86	3,350.81	403.60	3,646.05	108.4
October	1991	7,235.12	3,413.17	410.27	3,821.95	112.0
November	1991	7,277.50	3,379.21	406.41	3,898.29	115.4
December	1991	7,692.20	3,251.75	391.21	4,440.45	136.6
January	1992	8,357.96	3,430.87	412.01	4,927.09	143.6
February	1992	8,137.38	3,446.13	413.71	4,691.25	136.1
March	1992	7,948.92	3,978.92	410.36	3,970.00	99.8
1991-92						
April	1992	8,395.41	3,998.67	403.00	4,396.74	110.0
May	1992	7,973.00	3,976.31	406.83	3,996.78	110.5
June	1992	7,255.88	3,942.41	405.64	3,313.47	84.0
July	1992	7,537.00	3,670.16	394.98	3,694.59	96.2

Notes: 1. Based on closing quotations for Bombay market and afternoon fixing for New York market.
2. The conversion factor is 1 ounce = 0.0311035 kg.
3. Till February, 1992, the price has been worked out after converting the quotations in cents per troy ounce in New York market into rupees per kg. at the cross rates based on daily average of spot buying and selling rates of U.S. Dollars in London and average of Reserve Bank's spot buying and selling rates of sterling. For March 1992, the quotations have been converted at the daily average of FEDAI's spot buying and selling rate of U.S. dollars in Bombay.

Sources: 1. Bombay Bullion Association, Bombay.
2. Press Trust of India.

Table VI-14 : SILVER PRICES IN BOMBAY AND NEW YORK
(Financial year Averages)

(Rupees per kg.)

Year	Bombay	New York	New York (Cents per troy ounce)	Spread between Bombay and New York Prices	
				Absolute	Percentage
1	2	3	4	5	6
1970-71	536.08	412.18	170.90	123.90	30.1
1975-76	1,169.36	1,221.33	437.36	−51.97	−4.3
1980-81	2,616.63	4,020.30	1,585.14	−1,403.67	−34.9
1981-82	2,636.06	2,627.05	914.52	−9.01	0.3
1982-83	2,798.34	2,829.74	906.49	−31.40	−1.1
1983-84	3,505.80	3,516.66	1,060.64	− 10.86	− 0.3
1984-85	3,593.59	2,810.19	740.98	783.40	27.9
1985-86	3,918.35	2,396.35	609.00	1,522.00	63.5
1986-87	4,247.10	2,220.03	539.87	2,027.07	91.3
1987-88	5,538.83	3,016.70	721.53	2,522.13	83.6
1988-89	6,366.76	2,971.52	639.65	3,395.24	114.3
1989-90	6,841.91	2,846.31	531.61	3,995.60	140.4
1990-91	6,760.79	2,579.49	449.86	4,181.30	162.1
1991-92	7,332.41	3,269.94	409.34	4,062.02	124.2

Notes: 1. Based on closing quotations for Bombay market and afternoon fixing for New York market.
2. The conversion factor is 1 ounce = 0.0311035 kg.
3. Till February, 1992, the price has been worked out after converting the quotations in cents per troy ounce in New York market into rupees per Kg. at the cross rates based on daily average of spot buying and selling rates of U.S. Dollars in London and average of Reserve Bank's spot buying and selling rates of sterling. For March 1992, the quotations have been converted at the daily average of FEDAI's spot buying and selling rate of U.S. dollars in Bombay.

Sources: 1. Bombay Bullion Association, Bombay
2. Press Trust of India.

CHAPTER VII

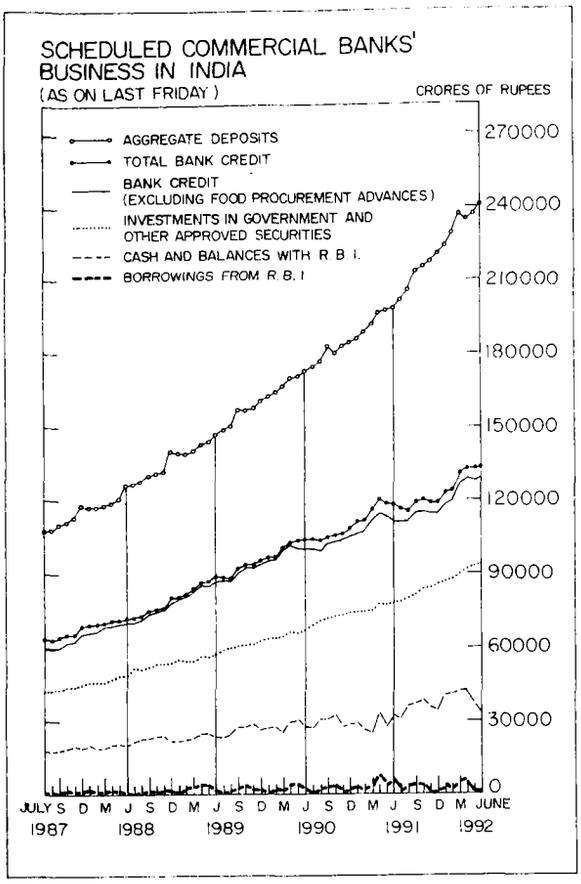
Banking Developments

OVERALL REVIEW

The Report of the Committee on the Financial System (The Narasimham Committee) *inter alia* recommended that the system of branch licensing be abolished. Taking into consideration the suggestions received from banks as also the Committee's recommendations and having broadly achieved the objective of providing adequate banking infrastructure throughout the country, the Reserve Bank has decided to give greater freedom to banks to rationalise their existing branch network by re-locating branches, opening of specialised branches, spinning-off business at their locations, setting up of controlling offices/administrative units and establishing extension counters, etc. As at the end of March 1992, there were 60,528 branches of commercial banks (including RRBs) in the country, of which 35,275 (or 58.3 per cent) were in rural areas as against 22.3 per cent at the time of bank nationalisation in July 1969. This reflects substantial efforts made towards spread of banking particularly in unbanked rural areas. As a result of rapid branch expansion witnessed since 1969, the average population per bank office, which was 65,000 at the time of nationalisation, came down to 11,000 (as per the 1981 Census) at the end of March 1992. There are, however, some inter-State disparities in the spread of branches, particularly in the Eastern, North-Eastern and Central regions.

Scheduled commercial banks' operations during the financial year 1991-92 have been characterised by a sharp acceleration in aggregate deposits, especially demand deposits, accompanied by a slowdown in credit expansion. The situation was somewhat different in the previous year which witnessed a lower growth profile in all important dimensions of banking operations throughout the year. The expansion in aggregate deposits at 19.8 per cent was distinctly higher than the previous year's rise of 15.3 per cent and also that of 19.1 per cent recorded in the year 1989-90. The average of month-end aggregate deposits during 1991-92 constituting 34.5 per cent of GNP at current prices was fractionally higher than in the previous year's ratio of 34.3 per cent. In contrast to the acceleration in aggregate deposits, expansion in bank credit at 8.0 per cent was significantly lower than 14.6 per cent recorded in 1990-91 due to lower expansion in both food and non-food credit. Food credit expanded only by 3.6 per cent as against the substantial increase of 12.4 per cent and non-food credit grew at a slower pace of 8.2 per cent as compared to 12.4 per cent in 1990-91. Banks' investments in Government and other approved securities recorded large expansion during this period.

Banking during 1991-92 achieved significant progress in terms of widening and deepening of the financial infrastructure, diversification into a newer activity and attaining societal goals. As at the end of June 1992, there were nine equipment leasing-cum-merchant banking subsidiaries set up by the banks. As banks were adopting various devices for accepting funds from their clients for management, offering guaranteed rates of return on such funds, etc., with a view to avoiding compliance with the guidelines under the Portfolio Management Scheme (PMS), the Reserve Bank has reiterated in its circular dated July 30, 1992 addressed to the Chairmen/Chief Executives of all commercial banks the stipulation contained in its circular of January 1991 and emphasised that violations of those stipulations would be viewed seriously.



While the major concern of credit policy during the year continued to be control of inflation, encouragement of exports and improvement of the balance of payments position, the thrust of monetary and credit policy was towards development of market related instruments of monetary control. The recommendations of the Narasimham Committee also had a bearing on the formulation of monetary and credit policy. While pursuing a tight monetary policy in the interest of attaining monetary stability, care was taken to ensure that productive activity was not affected by inadequacy of credit.

During the year under review, follow-up action on a number of recommendations of the Narasimham Committee was initiated by the Government of India and the Reserve Bank. Apart from reducing the Statutory Liquidity Ratio (SLR) on incremental net demand and time liabilities and rescinding the incremental Cash Reserve Ratio (CRR), a series of reform measures were also taken in regard to the regulated interest rate structure of banks for advances and deposits. The Committee had recommended various other remedial measures to tackle the deterioration in the financial health of the banking system, such as capital adequacy norms, prudential norms for income recognition and provisioning of bad debts. In April 1992, the Reserve Bank introduced a risk-assets ratio system for banks (including foreign banks) in India as a capital adequacy measure. Banks have been instructed to implement the Committee's recommendations in respect of proper system of recognition of income, classification of assets and provisioning for bad debts on a prudential basis with certain modifications and in a phased manner over a three-year period commencing from the accounting year beginning April 1, 1992.

A development of great public concern during the year under review was the detection of irregularities in securities operations of banks and financial institutions. The Committee appointed by the Reserve Bank to investigate into these irregularities (Chairman: Shri R. Janakiraman) has pointed out in its three reports the serious deficiencies in the functioning of banks and financial institutions involved in the irregularities and the Committee has made a series of suggestions for remedial action to introduce proper control systems, strengthen monitoring and remove lacunae in the existing system and procedures so as to avoid recurrence of such irregularities in future. The avowed objective of the Reserve Bank and the Government of India now is to restore confidence, both in India and abroad, in the country's financial system. The financial system would become stronger and much more efficient by undertaking appropriate follow-up measures in the light of the recent episode. A number of steps have been taken by the Reserve Bank and the Government of India to unearth ramifications of the irregularities, recovery of bank dues, punishing the guilty and setting in motion enduring measures of a preventive nature. The entire gamut of issues concerning the irregularities is being examined by a Joint Parliamentary Committee (JPC).

It is of utmost imprtance to ensure that the irregularities in securities operations do not distract attention from structural reform measures in the financial sector which are needed to make the financial system much more competitive, efficient and transparent. In fact, the recent events emphasise, if at all, the importance of hastening the pace of reform. In recent years, substantial reform measures have been initiated in the financial sector. The Narasimham Committee has provided a sharper focus on the need of more rapid reorientation of the financial sector. Follow-up action on a number of recommendations of the Committee has been initiated by the Reserve Bank and the Government of India. The Narasimham Committee had recommended the setting up of Supervisory Board under the aegis of the Reserve Bank of India. For this purpose, Government is considering the establishment of a high-power Supervisory Board consisting of 4 to 5 full-time members, with the Governor, Reserve Bank of India, as the Chairman.

The share of priority sector credit in total bank credit has declined to 39.3 per cent from 40.9 per cent in the previous year which is below the target of 40 per cent.

BANKING TRENDS

Scheduled commercial banks' operations during the financial year 1991-92 have been characterised by a sharp acceleration in aggregate deposits, especially demand deposits, accompanied by a slowdown in credit expansion. The situation was somewhat different in the previous year which witnessed a lower growth profile in all important dimensions of banking operations throughout the year.

Banking Trends

(On a point-to-point basis)

Growth in Aggregate Deposits

Aggregate deposits of scheduled commercial banks, which witnessed a sharp decline in the previous year, showed a marked turnaround during the fiscal year 1991-92. The expansion in aggregate deposits at 19.8 per cent was distinctly higher than the previous year's rise of 15.3 per cent and also that of 19.1 per cent recorded in the year 1989-90. Aggregate deposits increased by Rs. 38,216 crore in 1991-92 as compared to the previous year's increase of Rs. 25,583 crore. The expansion overshot the revised working estimate of Rs. 28,500 crore (15.3 per cent) announced in the credit policy for the second half of 1991-92. The exceptional increase in deposits during the year was on account of a variety of factors. By and large the principal factor was the substantial turnaround in the accrual of net foreign exchange assets of the banking system through increase in inward remittances from abroad and the accruals to banks in terms of the rupee counterpart of the subscription to the India Development Bonds, a number of attractive foreign deposit schemes, such as, FC (BO)D, etc. Other factors contributing to the expansion are the encouraging credit policy measures in the form of periodic enhancement in deposit rates, the special factors, such as, large amounts of additional cash margin imposed against imports and the margin money deposits kept by the borrowers, the margin money deposits kept by the canalising agencies and the float money associated with the buoyancy observed in the capital market. Quarter-wise, during 1991-92 though there was some degree of slowdown in the first quarter, the increase in other quarters was consistently higher (Table VII-1). The expansion was concentrated in the third quarter which may be attributed to the substantial amount of receipts under India Development Bonds Scheme which was confined to a specific period, i. e., between October 1991 to January 1992. Both demand and time deposits contributed to the sharp rise in aggregate deposits. The share of demand deposits in total deposit which had improved to 17.3 per cent at the end of 1989-90 from 16.7 per cent at the end of 1988-89 increased furthermore to 19.5 per cent in 1991-92 (Table VII-2 & 3). To this extent there was a fall in the share of time deposits to aggregate deposits.

The break-up of scheduled commercial banks' deposits according to deposit type reveals a distinct shift in favour of current deposits and to an extent savings deposits also (Table VII-4). The share of current deposits in total deposits increased to 17.9 per cent in March 1992 from 15.2 per cent in March 1983 although it fell

Table VII-1 : QUARTERLY VARIATIONS IN DEPOSITS OF SCHEDULED COMMERCIAL BANKS

(Rs. crore)

Quarter	Demand Deposits		Time Deposits		Aggregate Deposits	
	1990-91	1991-92	1990-91	1991-92	1990-91	1991-92
1	2	3	4	5	6	7
April-June	1,090	1,238@	5,039	5,328@	6,129	6,566@
					(3.7)	(3.4)
July-September	41	2,015	5,813	8,066	5,854	10,081
					(3.4)	(5.1)
October-December	2,037	6,207	4,760	5,371	6,797	11,578
					(3.8)	(5.5)
January - March	1,169	2,435	5,634	7,556	6,803	9,991
					(3.7)	(4.5)
Total	4,337	11,895	21,246	26,321	25,583	38,216
					(15.3)	(19.8)
	1991-92	1992-93@	1991-92	1992-93@	1991-92	1992-93@
April-June	1,238	124	5,328	10,314	6,566	10,438
					(3.4)	(4.5)

@ Data for June 26, 1992 are provisional

Notes: 1. Figures in brackets indicate percentage growth rates.
2. No sign is indicated for positive variations.

Source : Returns submitted by banks under Section 42(2) of the R.B.I. Act, 1934

Table VII-2 : SHARES OF DEMAND AND TIME DEPOSITS TO AGGREGATE DEPOSITS OF SCHEDULED COMMERCIAL BANKS
(As on the last Reporting Friday of March)

(In percentage)

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6	7	8
Demand Deposits	18.3	18.7	17.2	16.7	17.3	17.2	19.5
Time Deposits	81.7	81.3	82.8	83.3	82.7	82.8	80.5

Table VII-3 : PERCENTAGE GROWTH IN DEMAND, TIME AND AGGREGATE DEPOSITS OF SCHEDULED COMMERCIAL BANKS

(In percentage)

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6	7	8
Aggregate Deposits	+18.2	+20.3	+14.9	+18.7	+19.1	+15.3	+19.8
Demand Deposits	+10.5	+23.2	+5.3	+15.3	+23.6	+15.0	+35.8
Time Deposits	+20.1	+19.6	+17.1	+19.4	+18.2	+15.4	+16.5

Table VII-4 : DEPOSITS OF SCHEDULED COMMERCIAL BANKS (Excluding RRBs) ACCORDING TO TYPE

(Rs. crore)

As on the last Friday of March	Current Deposits	Savings Deposits	Fixed Deposits	Total
1	2	3	4	5
March 25, 1983	7,724	11,934	31,013	50,671
	(15.2)	(23.6)	(61.2)	
March 30, 1984	9,272	14,050	36,887	60,209
	(15.4)	(23.3)	(61.3)	
March 29, 1985	11,684	16,973	42,872	71,529
	(16.4)	(23.7)	(59.9)	
March 28, 1986	12,838	19,105	52,525	84,48
	(15.2)	(22.0)	(62.2)	
March 27, 1987	15,934	22,359	63,110	1,01,403
	(15.7)	(22.0)	(62.3)	
March 25, 1988	16,106	31,972	67,876	1,15,954
	(13.9)	(27.6)	(58.5)	
March31, 1989	23,112	36,891	84,235	1,44,238
	(16.0)	(25.6)	(58.4)	
March 30, 1990	27,544	43,451	98,565	1,69,560
	(16.3)	(25.6)	(58.1)	
March 29, 1991	31,652	48,938	1,15,965	1,96,555
	(16.1)	(24.9)	(59.0)	
March 27, 1992	41,506	55,085	1,35,588	2,32,179
	(17.9)	(23.7)	(58.4)	

Notes : 1. Deposits figures reported in the previous year's Report pertain to all commercial banks which comprises scheduled as well as non-scheduled commercial banks.

2. In the case of current and fixed deposits presented above, inter-bank deposits are excluded.

Source : Returns in Form X submitted by banks under Section 27 of the Banking Regulation Act, 1949.

sharply during March 1988. Over the years the share increased by about 2.7 percentage point to 17.9 per cent in March 1992. The share of savings deposits which was 23.6 per cent in March 1983, rose sharply to 27.6 per cent five years in March 1988, but again declined steadily to 23.7 per cent in March 1992. Fixed deposits which formed 60-62 per cent, declined to 58 per cent in 1988 and retained their share at that level up to end-March 1990. After moving up by one percentage point to 59 per cent in March 1991, the share fell below this level to 58.4 percent in March 1992.

Expansion in Bank Credit

In contrast to the accelerated expansion in aggregate deposits, expansion in bank credit at Rs. 9,291 crore (8.0 per cent) as noted earlier, was significantly lower than that of Rs. 14,848 crore (14.6 per cent) in 1990-91. Food credit expanded by only Rs. 164 crore (3.6 per cent) as against a substantial increase of Rs. 2,500 crore (124.6 per cent) in the previous year. Due to a setback in foodgrains production in 1991-92, there was an overall decline in procurement of foodgrains which along with higher offtake led to only a small expansion of Rs. 164 crore in food credit during 1991-92. Non-food credit at Rs. 9,127 crore (8.2 per cent) also grew at a slower pace as compared to a growth of Rs. 12,348 crore (12.4 per cent) in 1990-91, (Table VII-5). Stringent credit policy measures and general slowdown of the economy together with the increasing cost of credit have been responsible for slower pace of expansion in non-food credit.

With a wide gap between bank credit and deposits the credit-deposit ratio as on March 20, 1992, declined by 6.0 percentage points to 54.4 per cent from the previous year's level of 60.4 per cent. The fall in incremental non-food credit-deposit ratio was much sharper from 48.3 per cent in 1990-91 to 23.9 per cent in 1991-92.

Trends in Investments

During 1991-92 scheduled commercial banks' investments in Government and other approved securities showed an appreciable increase of 20.2 per cent as compared to 16.6 per cent in 1990-91. Further, their investment pattern also underwent significant changes during the year. Their investment in Government securities showed a sharper rise of 25.5 per cent as compared to 18.2 per cent a year ago. On the other hand, their investment in approved securities fell to 9.6 per cent from 13.5 per cent. There are two reasons why banks had made larger investments in Government securities. First, they have had to perforce keep larger SLR on the unusual increase in demand deposits. Second, the availability of other trustee securities at margin was somewhat less than the previous year, thus compelling banks to satisfy their SLR requirements by holding larger amounts of Government securities. Another characteristic feature noticeable was that banks' investment in 182-day Treasury bills was strikingly higher which may be attributable to the large short-term funds (margin money against imports) at the banks' disposal which the banks were not able to tie-up in regular lending. The total amount of 182-day Treasury bills outstanding at the end of March 1992 at Rs. 3,985.52 crore was more than double that of Rs. 1,077.59 crore as at the end of March 1991. The amount of 182-day Treasury bills held by commercial banks was Rs. 2,751.2 crore or 69.0 per cent as at the end of March 1992.

Other Assets and Liabilities

During 1991-92, there was a marked rise in scheduled commercial banks' cash in hand and cash balances with the Reserve Bank. The increase at Rs. 10,522 crore (41.0 per cent) was close to twenty times that of Rs. 554 crore (2.2 per cent) that occurred in the previous year. The larger accrual of cash balances with RBI may be explained by the faster expansion of bank deposits and also by the imposition of incremental CRR of 10 per cent effective May 4, 1991 on the increase in net demand and time liabilities over the levels as existed on May 3, 1991. This stipulation, in vogue through the whole of 1991-92, has since been withdrawn from April 17, 1992.

Trends in the First Quarter of 1992-93

In line with the objective of monetary policy announced for the first half of 1992-93 which contemplated bringing down the monetary expansion (M_3) from 18.5 per cent in 1991-92 to less than 11 per cent in 1992-93, a working estimate of the increase in aggregate deposits of scheduled commercial banks at about Rs. 27,000 crore (11.7 per cent) has been envisaged for 1992-93. Of this, the increase in the first half of 1992-93 was estimated around Rs. 14,000 crore which included an increase of Rs. 7,000 crore in the first quarter April-June 1992. Against this the actual picture reveals that banking developments during the first quarter April-June 1992 witnessed buoyancy both in aggregate deposits and bank credit (Table VII-5).

The actual expansion in aggregate deposits in this quarter turned out to be much larger at Rs. 10,438 crore (4.5 per cent) than the working estimate of Rs. 7,000 crore as well as the increase of Rs. 6,566 crore (3.4 per cent) registered in the comparable quarter of the previous year. Bank credit which recorded a subdued growth of 0.8 per cent in the previous year accelerated sharply to 6.5 per cent or Rs. 8,166 crore during the first quarter of April-June 1992. The increase has come about essentially on account of a substantial rise in non-food credit of 6.4 per cent or Rs. 7,735 crore as compared to a small rise of 0.1 per cent or Rs. 150 crore in the comparable quarter of previous year thus overshooting in the first quarter itself the estimate of Rs. 4,000 crore or 3.3 per cent envisaged in the credit policy for the first half of 1992-93.

The rise was prominent in time deposits in the first quarter of 1992-93 which increased by Rs. 10,314 crore (5.6 per cent) as compared to Rs. 5,328 crore (3.3 per cent) during the comparable period of 1991-92. Demand deposits which recorded a phenomenal expansion of 8.7 per cent (Rs. 1,238 crore) last year slowed down to 0.3 per cent (Rs. 124 crore) during the first quarter of 1992-93. The acceleration in time deposits may be explained by increased foreign currency accrual in the form of Foreign Currency (Banks and Others) Deposits and other external deposits which formed about one-third of the

Table VII-5 : VARIATION IN SCHEDULED COMMERCIAL BANKS' DATA
(Seasonal, Annual and Quarterly)

(Rs. crore)

Items	Seasonal Variations				Annual Variations (April-March)		Quarterly Variations (April-June)	
	Slack Season 1990	Busy Season 1990-91	Slack Season 1991	Busy Season 1991-92	1990-91	1991-92	1991	1992@
1	2	3	4	5	6	7	8	9
Aggregate Deposits	9,702	15,880	17,558	21,310	25,583	38,216	6,566	10,438
					(15.3)	(19.8)	(3.4)	(4.5)
a) Demand deposits	−265	3,186	6,204	7,021	4,337	11,895	1,238	124
					(15.0)	(35.8)	(3.7)	(0.3)
b) Time deposits	9,967	12,694	11,354	14,291	21,246	26,321	5,328	10,314
					(15.4)	(16.5)	(3.3)	(5.6)
Borrowings from the Reserve Bank	657	5,672	−7,774	2,324	1,069	−2,891	2,636	1,039
					(44.6)	(-83.4)	(76.0)	(180.1)
Cash in hand and Balances with the Reserve Bank	2,391	3,848	−37	6,297	554	10,522	7,254	−1,911
					(2.2)	(41.0)	(28.3)	(-5.6)
Money at Call and Short Notice	−297	65	−24	719	−489	904	180	503
					(-25.3)	(62.6)	(12.5)	(17.6)
Investments	6,791	4,649	5,873	8,416	10,696	15,131	3,188	4,025
					(16.6)	(20.2)	(4.2)	(4.5)
a) Government Securities	5,240	3,396	5,291	6,349	7,706	12,729	3,388	4,025
					(18.2)	(25.5)	(6.8)	(6.4)
b) Other approved securities	1,551	1,253	582	2,067	2,990	2,402	−200	5
					(13.5)	(9.6)	(-0.8)	(-)
Bank Credit	2,179	12,026	1,265	11,703	14,848	9,291	960	8,166
					(14.6)	(8.0)	(0.8)	(6.5)
a) Food Procurement Advances	1,627	922	−233	349	2,500	164	811	431
					(124.6)	(3.6)	(18.0)	(9.2)
b) Other Advances	552	11,104	1,498	11,354	12,348	9,127	149	7,735
					(12.4)	(8.2)	(0.1)	(6.4)

Notes :1. The seasonal variations are based on outstandings as on last reporting Friday of April and October, annual variations are based on last reporting Friday of March.
2. Figures in brackets indicate percentage change over the corresponding period.
3. No sign has been indicated for positive variations.

Source : Returns submitted by banks in terms of Section 42(2) of the R.B.I. Act, 1934.

expansion in aggregate deposits of banks during the quarter April-June 1992. To an extent the larger deposits accruals are also associated with the sluggish share market activities following their disruption due to detection of irregularities in securities dealings. The turnaround in bank credit witnessed in this quarter particularly in non-food credit may be attributable to various factors, such as, withdrawal of import credit restrictions and the general credit relaxations, higher inventory build-up in sectors facing demand recession, increased drawals by public sector undertakings, larger increase in export credit refinance, lower recourse to bills rediscounting by banks and credit reflecting payments related to the irregularities in the securities market.

Banks' investments in Government and other approved securities showed a rise of Rs. 4,025 crore (4.5 per cent) as compared with Rs. 3,188 crore (4.2 per cent) in the comparable quarter of the previous year. Recognising the Government's objective to bring down gross fiscal deficit sharply to 5 per cent of GDP in 1992-93, the gilt-edged market has been considerably reorganised. A new instrument, namely, 364-day Treasury bill has been introduced on auction basis. Along with this Government also offered to sell dated securities of five-year maturity and ten-year maturity by auctions for the first time. This along with a move to reduce SLR as envisaged in the credit policies of April 1992 and October 1992 have been intended to reduce the Government's

dependence of credit from the Reserve Bank as well as commercial banks. In all 17 auctions held upto December 8, 1992 of the new instrument of 364-day Treasury bill, commercial banks have responded overwhelmingly. Out of a total of Rs. 7,806.53 crore outstanding against this instrument, the banks have held almost 90 per cent, i. e., Rs. 6,976.03 crore as at the end of October 1992.

Year-end Bulge in Banking variables

In recent years, scheduled commercial banks have been reporting an unusually large rise in aggregate deposits and bank credit in the last week of March. In 1991-92, this phenomenon was not visible. The increase in aggregate deposits in the seven-day period, March 20 to March 27, 1992, of 3.0 per cent and that in bank credit of 4.7 per cent, as reported by banks, was somewhat modest as compared with large increases reported in the previous two years (Table VII-6). The fact that reduced Statutory Liquidity Ratio of 30 per cent was applicable on the increase in net demand and time liabilities over the level of April 3, 1992, could have discouraged banks from resorting to high levels of year-end deposit growth. This fact is also borne out to an extent when the rise in deposits, as between the last reporting Friday of March 20 and March 31, 1992, of Rs. 11,310 crore (4.9 per cent) is compared with the higher amount of Rs. 12,232 crore (6.4 per cent) mobilised by the banks between the last reporting Friday of March 22, 1991, and March 31, 1991. The unwinding of these deposits in the first few days of April was more striking this year than in the past reflecting the influence of incremental SLR referred to earlier: within 3 days between March 31 and April 3, 1992, there was an absolute decline of Rs. 7,824 crore in aggregate deposits constituting 69 per cent of the accrual between the last reporting Friday of March 20 and March 31, 1992 (as against a decline of Rs. 6,705 crore during the five-day period March 31, 1991 to April 5, 1991).

The key macro-economic assumption underlying the monetary targets for 1991-92 were a real GDP growth of 3 to 3.5 per cent, an inflation rate of not more than 9 per cent, and significant slowdown in M_3 expansion to about 13 per cent. The import compression, credit restriction and fiscal adjustment measures, had an impact on the overall growth rate and in the event, the GDP growth turned out to be a little less than 2.0 per cent and in particular, there was a total stagnation in industrial output. Even so, the M_3 expansion accelerated to as high as 18.5 per cent in 1991-92 which was attributable to the domestic expansion of primary liquidity and the larger-than-projected foreign exchange accruals. Since the inflows of foreign exchange were of overriding priority, measures of sterilising the inflow of these resources were not undertaken lest the measures should dampen such inflows.

The paramount need at the time of formulating the monetary and credit policy for 1991-92 was to slow down the pace of imports and curb inflation. Towards the former end, measures taken by the Reserve Bank became progressively stiffer to culminate in the imposition of cash margins of as high as 200 per cent on imports of goods under OGL and 150 per cent under specific licences. The concomitant slowdown in the availability of imported inputs slowed down the pace of industrial growth, but was unavoidable in context of the serious foreign exchange position. Curbing inflation was sought to be achieved through moderating demand by aiming to put a cap on the burgeoning net Reserve Bank credit to Central Government. This was buttressed by the intention of the Central Government to contain the gross fiscal deficit as a proportion of GDP to 6.5 per cent in 1991-92.

To control aggregate demand by curbing bank credit, an incremental net non-food credit-deposit ratio was introduced, lending and deposit rates were raised twice, an incremental cash reserve ratio was stipulated, an interest rate surcharge was introduced on import finance, drawals under large cash credit limits were restricted, the Bank Rate was raised twice and there was step-up in interest rates on various refinance facilities from the Reserve Bank. In view of the paramount need to facilitate exports, and yet to control general credit, export credit was kept outside the framework of the stipulated credit-deposit ratio, a two-tier export credit refinance scheme was introduced, and interest rates on post-shipment export credit were

Table VII-6 : VARIATIONS IN SELECTED ITEMS OF SCHEDULED COMMERCIAL BANKS: LAST WEEK OF MARCH 1991 AND 1992

(Rs. crore)

Item	Variations during last week of March 1991							Variations during last week of March 1992				
	March 22, 1991 over March 23, 1990	March 29, 1991 over March 22, 1991	March 31, 1991 P over March 29, 1991	March 31, 1991 P over March 22, 1991	April 5, 1991 P over March 31, 1991 P	April 19, 1991 P over April 5, 1991 P	March 20, 1992 over March 22, 1991	March 27, 1992 over March 20, 1992	March 31, 1992 over March 27, 1992	March 31, 1992 P over March 20, 1992	April 3, 1992 P over March 31, 1992 P	April 19, 1992 P over April 3, 1992 P
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Aggregate Deposits (a + b)	25,583	8,657	3,575	12,232	−6705	−2,090	38,216	6,808	4,502	11,310	−7,824	985
	(15.3)	(4.5)	(1.8)	(6.4)	(-3.3)	(-1.1)	(19.8)	(3.0)	(1.9)	(4.9)	(-3.2)	(0.4)
		[33.8]	[14.0]	[47.8]				[17.8]	[11.8]	[29.6]		
a) Demand Deposits	4,337	5,107	2,222	7,329	−5,268	−1,409	11,895	3,805	2,847	6,652	−6136	983
	(15.0)	(15.4)	(5.8)	(22.1)	(-13.0)	(-4.0)	(35.8)	(8.4)	(5.8)	(14.8)	(-11.9)	(2.2)
		[117.8]	[51.2]	[169.0]				[32.0]	[23.9]	[55.9]		
b) Time Deposits	21,246	3,550	1,353	4,903	−1,437	−681	26,321	3,002	1,656	4,658	−1,688	2
	(15.4)	(2.2)	(0.8)	(3.1)	(-0.9)	(-0.4)	(16.5)	(1.6)	(0.9)	(2.5)	(-0.9)	(0.0)
		[16.7]	[6.4]	[23.1]				[11.4]	[6.3]	[17.7]		
2. Bank Credit (a + b)	14,848	5,564	1,570	7,134	−5,059	19	9,291	5,928	4,079	10,007	−6,171	1,687
	(14.6)	(4.8)	(1.3)	(6.1)	(-4.1)	(0.0)	(8.0)	(4.7)	(3.1)	(8.0)	(-4.6)	(1.3)
		[37.5]	[10.6]	[48.0]				[63.8]	[43.9]	[107.7]		
a) Food Credit	2,500	63	0	63	−128	−50	164	−62	236	174	−266	−71
	(124.6)	(1.4)	(0.0)	(1.4)	(-2.8)	(-1.1)	(3.6)	(-1.3)	(5.1)	(3.7)	(-5.5)	(-1.6)
		[2.5]	[0.0]	[2.5]				[-37.8]	[143.9]	[106.1]		
b) Non-Food Credit	12,348	5,501	1,570	7,071	−4,931	69	9,127	5,990	3,843	9,833	−5,905	1,758
	(12.4)	(4.9)	(1.3)	(6.3)	(-4.1)	(0.1)	(8.2)	(5.0)	(3.0)	(8.1)	(-4.5)	(1.4)
		[44.5]	[12.7]	[57.3]				[65.6]	[42.1]	[107.7]		

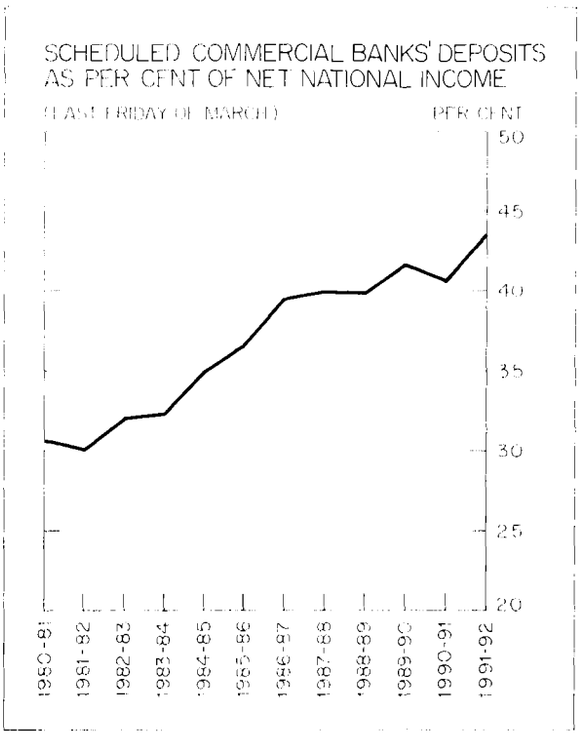
P. Provisional.

Notes: 1. Figures in parentheses indicate percentage variations.
2. Figures is square brackets indicate absolute variation as percentage of financial year variation.
3. No sign is indicated for positive variations.

raised beyond certain maturities to encourage faster realisation of export proceeds.

In view of the continuing inflationary situation and in order to make monetary policy supportive to the cohesive package of measures of macro-economic stabilisation and structural reforms initiated by the Government, a tighter monetary policy was sought to be put in place for the second half of 1991-92 also, with hikes in the Bank Rate and in deposit and lending rates, withdrawals of almost all refinance facilities to scheduled commercial banks and a restriction on increase of credit outstanding for non-productive purposes. However, with a view to giving relief to the import-starved industry, cash margin on OGL imports was reduced to 150 per cent. To provide greater incentive to banks to enable them to provide credit support to the export drive, interest rates on pre-shipment and post-shipment export credit were raised, export credit refinance were kept *in situ* and export credit refinance formula was liberalised. In January 1992, additional export refinance on dollar-denominated export was provided to banks.

With the improvement in balance of payments situation and abatement of inflation in the beginning of 1992, the floor lending rate for the large credit limits were cut, SLR was reduced for incremental demand and time liabilities and interest on dollar-denominated export credit refinance was scaled down.



Banking Trends

(On an average basis)

The operations of scheduled commercial banks judged with major banking variables on an average basis showed a marked improvement in respect of deposits but in respect of credit, there was a significant slowdown. The proportion of average aggregate deposits to GNP at current market prices had all along been rising continuously till 1989-90 when the ratio reached 34.7 per cent. Later it declined to 34.3 per cent in 1990-91 (Table VII-7). However, it rose fractionally to 34.5 per cent during 1991-92. While the aggregate deposits increased by Rs. 31,799 crore (17.6 per cent) in 1991-92 as against an increase of Rs. 25,382 crore (16.4 per cent) in 1990-91 with a marked improvement in demand deposits by Rs. 8,065 crore (26.1 per cent) in 1991-92 as against an increase of Rs. 4,390 crore (16.6 per cent) in 1990-91, the growth of time deposits at Rs. 23,734 crore (15.9 per cent) in 1991-92 was less than the previous year's growth of Rs. 20,992 crore (16.4 per cent) (Table VII-8).

The growth of overall bank credit, as an important banking variable, experienced a fall during the year from Rs. 14,883 crore (16.1 per cent) in 1990-91 to Rs. 11,945 crore (11.2 per cent) in 1991-92. More pronounced in this overall decline was the fall in food procurement advances from Rs. 2,425 crore (180.4 per cent) to Rs. 883 crore (23.4 per cent) during the same period.

Banks' investment in Government and other approved securities increased by Rs. 11,545 crore (16.2 per cent) as compared with an increase of

Table VII-7 : PERCENTAGE OF AGGREGATE DEPOSITS TO GNP AT CURRENT MARKET PRICES

(Rs. crore)

Fiscal Years	Average ## Aggregate Deposits	GNP at Current Market Prices	Deposits at % of GNP
1	2	3	4
1980-81	35,030	1,36,358	25.7
1981-82	41,795	1,59,800	26.2
1982-83	48,233	1,77,498	27.2
1983-84	56,923	2,06,645	27.5
1984-85	67,062	2,29,963	29.2
1985-86	79,862	2,60,491	30.7
1986-87	95,126	2,90,169	32.8
1987-88	1,11,319	3,29,997	33.7
1988-89	1,31,386	3,92,373	33.5
1989-90	1,54,899	4,46,428	34.7
1990-91	1,80,281	5,25,364	34.3
1991-92	2,12,080	6,14,827 @	34.5

Average of 12 month's period, i.e., last Friday of April to last Friday of March upto 1988–1989 and from March 24, 1989 onwards reporting Fridays are taken.

@ Estimated.

Table VII-8 : VARIATION IN SCHEDULED COMMERCIAL BANKS' DATA
(Average of last Reporting Friday of months)

(Rs. Crore)

	Outstanding			Variations	
	1989-90	1990-91	1991-92	1990-91	1992-92
1	2	3	4	5	6
Aggregate Deposits	1,54,899	1,80,281	2,12,080	25,382	31,799
				(16.4)	(17.6)
a) Demand Deposits	26,481	30,871	38,936	4,390	8,065
				(16.6)	(26.1)
b) Time Deposits	1,28,418	1,49,410	1,73,144	20,992	23,734
				(16.4)	(15.9)
Borrowings from the Reserve Bank	2,455	2,669	2,798	214	129
				(8.7)	(4.8)
Cash in hand and Balances with the Reserve Bank	25,391	27,846	34,173	2,455	6,327
				(9.7)	(22.7)
Money at Call and Short Notice	1,670	1,488	1,911	−182	423
				(-10.9)	(28.4)
Investments	60,455	71,513	83,058	11,058	11,545
				(18.3)	(16.2)
a) Government Securities	39,904	47,992	57,348	8,088	9,356
				(20.3)	(19.5)
b) Other approved securities	20,551	23,521	25,710	2,970	2,189
				(14.5)	(9.3)
Bank Credit	92,308	1,07,191	1,19,136	14,883	11,945
				(16.1)	(11.2)
a) Food Procurement Advances	1,344	3,769	4,652	2,425	883
				(180.4)	(23.4)
b) Other Advances	90,964	1,03,422	1,14,484	12,458	11,062
				(13.7)	(10.7)

Notes : 1. Figures in brackets indicate percentage change over the corresponding period.
2. No sign has been indicated for positive variations.

Source : Returns submitted by banks in terms of Section 42(2) of the R.B.I. Act, 1934.

Rs. 11,058 crore (18.3 per cent) last year. Though the investments in Government securities increased in absolute terms, it was low in percentage terms; the investment in approved securities declined both in absolute and percentage terms. Banks' cash in hand and balances with the Reserve Bank, on an average basis, rose substantially this year to the extent of Rs. 6,327 crore (22.7 per cent) as compared to Rs. 2,455 crore (9.7 per cent) last year.

Credit Policy

Since 1989-90, monetary policy has had to contend with a growing fiscal deficit and persistent overhang of liquidity, leading to a resurgence of inflation. Superimposed on it was a deteriorating balance of payments situation, particularly after the Gulf crisis. Thus, containing aggregate demand and in particular, demand for imports, became an overriding consideration in the policy actions of the Reserve Bank of India during the latter half of 1990-91 and the first part of 1991-92. Despite the major preoccupations with short-term management, the longer-term objectives of promoting operational efficiency of the financial system and developing the money market were pursued. Simultaneously, the endeavour was to support the cohesive package of measures of macro-economic stabilisation and structural reforms initiated by the Government since July 1991. In this respect, the recommendations of the Narasimham Committee have had an important bearing on the formulation of monetary policy.

While the major preoccupation of credit policy, especially upto July, 1991 has necessarily been on short-term management, the longer term objectives of reforming the credit delivery system, introducing flexibility in the application of credit control measures and bringing about structural changes in the money market also received due attention.

As a first step in implementing the recommendations of the Narasimham Committee, there was a phased reduction in the statutory liquidity ratio (SLR). Up to the level of the outstanding net demand and time liabilities (excluding non-resident liabilities) as on April 3, 1992 SLR would remain frozen at 38.5 per cent and for any increase in net demand and time liabilities above the April 3, 1992 level, the SLR was prescribed at 30 per cent. The reduction was in line with the proposed reduction in the fiscal deficit which would reduce the Central Government's need to borrow from commercial banks and would release funds for banks to expand credit to agriculture and industry.

With effect from March 2, 1992, the lending rate on credit limits of over Rs. 2 lakh was reduced by one percentage point to 19.0 per cent (minimum) from 20.0 per cent (minimum). Banks were advised to reduce the rate for all borrowers under this category by a minimum of one percentage point over the rates being chrged to such borrowers. The effective interest rate on discounting of bills of exchange for this category of borrowers would be 18.0 per cent (minimum) and the actual rate charged would be one percentage point below the corresponding lending rate charged to borrowers in this category. The lending rate for commodities coming within the purview of selective credit controls was also reduced from 20.0 per cent (minimum) to 19.0 per cent (minimum). With rapid improvement in the foreign exchange reserves position, the various restrictions imposed on financing of imports were withdrawn in stages.

With a view to providing further incentives and giving wider options to non-residents, including overseas corporate bodies, a new Non-Resident (Non-Repatriable) Rupee Deposit Scheme was announced on February 29, 1992; this scheme came into effect from June 15, 1992. Deposits under this scheme are free from any reserve requirements and interest rate regulations.

The credit policy for the first half of 1992-93 announced on April 21, 1992 was framed taking into account the need to revive industrial and agricultural production, encourage exports and keeping in mind the primacy of the objective of control of inflation. Monetary policy had to take note of Government's declared objective of reduction of gross fiscal deficit from 6.5 per cent of GDP in 1991-92 to 5 per cent of GDP in

1992-93. Government had also taken positive steps to bring down the rate of inflation. The objective of policy was to bring it down to 8 per cent. To realise the full anti-inflationary impact of the reduction in budget deficit, it was necessary to bring about a sharp reduction in the pace of monetary expansion (M_3) from 18.5 per cent in 1991-92 to less than 11 per cent in 1992-93. Growth of money supply has a number of contributing factors, the most powerful among them being the increase of credit by the Reserve Bank and the banks to Government. It was, therefore, proposed to reorganise the gilt-edged market in such a way that Government will reduce its dependence on credit from the Reserve Bank and the banks; this would be an important element of monetary and credit policy for 1992-93.

The main features of the credit policy measures announced in April 1992 were: discontinuation of the 10 per cent incremental Cash Reserve Ratio for increase in net demand and time liabilities over the level as on April 17, 1992; reduction in the interest paid on banks' cash balances held with the Reserve Bank; withdrawal of the incremental net non-food credit (excluding export credit)-deposit ratio; reduction of the lending rates categories from six to four according to the size of the limit; prescription of a single deposit rate of 'not exceeding 13.0 per cent per annum' for maturity of 46 days and above; reduction in the rate on refinance for dollar denominated export credit from 7.5 per cent to 5.5 per cent; and increase in the rate of interest of export credit (rupee) refinance from 9.5 per cent per annum to 11.0 per cent per annum. In the context of the easing of pressure on banks' resources and to facilitate recovery of industrial output, the restrictions imposed in October 1991 on bank loans for purchase of consumer durables and other non-priority sector personal loans were withdrawn. The restrictions relating to real estate loans and loans against security of shares and debentures/bonds were, however, continued. Loans to individuals against shares and debentures/bonds were made subject to a minimum margin of 75 per cent. The limits for the issue of Certificates of Deposit (CDs) were enhanced from 5 per cent to 7 per cent of the fortnightly average outstanding aggregate deposits in 1989-90 with the increase in CD limit above 5 per cent being exempted from CRR requirements. The guidelines relating to issue of Commercial Paper (CP) were further relaxed, and the salient features of the Money Market Mutual Funds (MMMFs) were set out. Furthermore, the decision to implement certain important recommendations of the Narasimham Committee relating to capital adequacy norms, prudential norms for income recognition and provisioning for bad debts and branch licensing were announced.

The credit policy for the second half of 1992-93 announced on October 8, 1992 was framed taking into consideration the fact that although there was a moderation in the expansion of net RBI credit to Central Government, the overall monetary expansion continued to be a matter of concern; even as the inflationary pressures were contained and the rate of inflation was brought down to a single digit level, in view of the overhang of the liquidity, the likely resurgence of inflationary pressures needed to be closely watched. While devising a monetary policy package which would support the revival of agricultural and industrial production without diluting the anti-inflationary stance of monetary policy, attention was also given to certain basic ingredients of the financial sector reform such as the reduced reliance on reserve requirements and the development of the Government securities market.

Details of the credit policy measures are summarised and tabulated in Annexure I.

Other major policy developments

(i) *Prudential guidelines relating to capital adequacy and accounting standards*

Narasimham Committee made certain recommendations regarding capital adequacy, income recognition, asset classification and provisioning for problem credits by commercial banks. It has been decided to implement the Committee's recommendations with certain modifications.

The ratio of capital funds in relation to bank deposits or its assets is well recognised and is a universally accepted measure of the strength and stability of the institution. The Basle Committee

on Banking Regulations and Supervisory Practices, appointed by the Bank for International Settlements, has prescribed certain capital adequacy standards to be followed by commercial banks. These standards of measuring capital as ratio of risk-weighted assets have been accepted for implementation by the Reserve Bank of India. Detailed guidelines have been issued to banks according to which all banks having branches abroad should achieve a capital to risk assets ratio (CRAR) of 8 per cent by March 1994. Other Indian banks should achieve the CRAR of 4 per cent by March 1993 and 8 per cent by March 1996. Foreign banks operating in India have been advised to achieve the CRAR in terms of local capital of 8 per cent by March 1993.

Having regard to the constraints faced by the banks in adhering to the income recognition norms fixed by the Narasimham Committee, Reserve Bank of India has advised the banks in April 1992 that they should achieve the Committee's norm for treating an advance as non-performing in a phased manner by March 1995. Detailed instructions were issued to the banks on the criteria for asset classification and creating provisions.

(ii) *Review of system of inspection of banks by Reserve Bank of India*

On-site inspection of banks has been a major tool of banking supervision by the RBI over the last four decades. During the last few years, banks were subjected to two streams of inspections, namely, (i) detailed financial inspection, and (ii) a quick annual financial review. However, in view of the obvious limitations under both the above inspection procedures, a Working Group was set up under the Chairmanship of Shri S. Padmanabhan, former Chairman, Indian Overseas Bank, to look into the present system of inspection of banks and to make recommendations with a view to making the inspection system more purposeful and effective.

The Group submitted the Report in September 1991. The Reserve Bank of India has accepted the recommendations and action is being taken to implement the various suggestions.

Board for Financial Supervision

The Narasimham Committee has recommended the setting up of a Supervisory Board under the aegis of the Reserve Bank of India. The Government has decided to set up a high-powered Board for Financial Supervision under the aegis of the Reserve Bank with the Governor as Chairman. The Vice Chairman will be a Deputy Governor of the Reserve Bank of India exclusively assigned to the work relating to supervision. The Board will consist of four other full-time members. The Board for Financial Supervision will have an Advisory Council which will consist of eminent persons with background in banking, economics, auditing, management, law and public policy. The Board will undertake supervisions and also follow-up on compliance.

(iii) *Transparency in banks' published accounts*

A Committee under the Chairmanship of Shri A. Ghosh, then Deputy Governor, Reserve Bank of India (RBI), was constituted in April 1982 to examine, *inter alia,* the desirability of greater or full disclosure in the published accounts of banks having regard to the need for disclosure, the need for accountability of banks, requirement of maintenance of confidentiality between banker and customer, and the requirement of maintaining the reputation and creditworthiness of banks. The recommendations of the Committee were accepted with certain modifications and the revised formats for balance sheet and profit and loss accounts prescribed by the Committee were introduced from the year ended March 31, 1992. As a result, the true financial position of banks will be brought to pointed focus and users of financial statements would be enabled to study and have meaningful comparison of the banks' position.

Export Credit and Financing of Imports

Relaxation on Imports

As mentioned earlier, up to the first half of 1991-92, when there was the overriding necessity to contain imports in the monetary policy measures were progressively tightened which culminated in the imposition of cash margins as high as 200 per cent on imports (other than capital

goods) under OGL and 150 per cent on imports (other than capital goods) under specific licences, with effect from April 22, 1991. Furthermore, effective May 9, 1991, an interest surcharge of 25 per cent was levied on bank lendings for all types of import finance.

Subsequently, as the foreign exchange reserve position showed rapid improvement, gradual relaxations were effected in the general minimum cash margin requirement from 200 per cent to 150 per cent on October 8, 1991, to 50 per cent on December 9, 1991, to 25 per cent on January 1, 1992 and finally withdrawn effective from February 12, 1992; banks can now decide the form and size of margin based on their own prudential considerations. Likewise, the 25 per cent interest rate surcharge on import financing was rescinded, effective from February 13, 1992.

Export Credit

Incentives for Exports : Export Credit Refinance

In view of the paramount need to promote exports and also to provide greater incentive to banks to render export credit, the export credit refinance formula was liberalised and banks' access to funds under this facility was increased. Since July 27, 1991 banks were being provided export credit refinance under a two-tier formula amounting to 50 per cent of the increase in export credit over the monthly average level in 1988-89 plus 100 per cent of the increase over the monthly average level of export credit in 1989-90. With effect from September 4, 1991, refinance limit under the first-tier was raised to 60 per cent while continuing export credit refinance of 100 per cent under the second tier. To provide additional incentives to banks for extending export credit, the refinance under the second tier was raised to 110 per cent effective November 2, 1991 and further to 125 per cent from December 28, 1991. With a view to encouraging banks to continue to provide greater support to the export sector the usual bringing forward of the base for determining export refinance was not undertaken in April 1992; this has resulted in a very sharp increase in the export refinance access for banks.

Interest Rates on Export Credit

In view of the low rates of interst on export credit banks have been finding it unremunerative to lend to the export sector. Moreover, with large interest rate differentials as between export credit and other credit, there was a strong possibility of seepage of credit. To provide greater incentive to banks and to enable them to provide credit support to the export effort, interest rates on pre-shipment and post-shipment export credit were raised. The export credit interest rates were raised in August 1991 after the interest rate subsidy on export credit was withdrawn and again in October 1991 as part of the general increase in lending rates. With the reduction in minimum lending rate for credit limits of over Rs. 2 lakh with effect from March 2, 1992, the rates of interest in respect of post-shipment credit beyond 90 days from the date of shipment as also export credit not otherwise specified have also been reduced by one percentage point from the existing rates.

Extension of Packing Credit

Running Account Facility

With a view to preventing possible diversion of concessive export credit, pre-shipment credit is in normal course allowed against specific export orders and such advances are required to be liquidated by export proceeds in respect of the same order. In order to provide flexibility to exporters in managing their production and procurement of raw materials and/or components for export production, banks have been authorised to extend, on merits, pre-shipment credit on a 'Running Account' basis for any commodity without linking it to specific individual export orders,subject to certain terms and conditions.

Export Credit (Interest Subsidy) Scheme, 1968

As mentioned in the last year's Report, the interest subsidy under the Export Credit (Interest Subsidy) Scheme, 1968 was withdrawn with effect from August 6, 1991. Interest subsidy for the period prior to this date was made available to

commercial banks and eligible co-operative banks at 5 per cent per annum in respect of pre-shipment and 3.85 per cent per annum in respect of post-shipment credit on cash basis. The total disbursement so far for the year 1991-92 amounted to Rs. 99.86 crore. In respect of special lines of credit extended to Bangladesh for its imports from India, the Reserve Bank disbursed sums of Rs. 14.60 lakh, Rs. 16.06 lakh and Rs. 1.70 lakh under Rs. 25 crore, Rs. 10 crore and Rs. 7 crore lines of credit subsidy, respectively, on behalf of the Ministry of External Affairs.

Duty Drawback Credit Scheme 1976

As a follow up of the credit policy for the second half of the financial year 1991-92, effective October 9, 1991, wherein all refinance facilities, except export refinance had been withdrawn by Government of India, the facility of interest free advances to exporters under Duty Drawback Credit Scheme has also been withdrawn. Accordingly no limits for such refinance were sanctioned in favour of banks with effect from November 1, 1991. Exporters are, however, eligible for advance from banks towards Duty Drawback against 'incentive receivables from Government' covered by ECGC guarantee up to 90 days presently at 15 per cent per annum.

Export Credit Performance of Banks

The increase in export credit interest rates together with the liberalisation of the export credit refinance formula acted as major incentives to banks to increase the flow of credit to the export sector. The export credit refinance limits which were Rs. 5,594 crore forming 52.3 per cent of the total export credit outstanding shot up to Rs. 7,656 crore forming the higher proportion of 61.9 per cent of the total outstanding export credit in July 1992. This further increased to Rs. 7,709 crore in August 1992 forming 62.3 per cent of the total export credit limit. The maximum utilisation of export credit refinance amounted to Rs. 7,432 crore as on July 13, 1992 which was 97.1 per cent of the refinance limits.

Export Credit Refinance

As on Last Reporting Friday	Export Credit (Out-standing)	Export Credit Refinance Limits	Ratio of Credit (3) to Col. (2) (Per cent)
		(Rupees Crore)	
(1)	(2)	(3)	(4)
March 1991	8,863	4,129	46..6
March 1992	10,695	5,594	52.3
June 1992	12,020	7,163	60.0
July 1992	12,365	7,656	61.9
August 1992	12,374	7,709	62.3

As referred to earlier, a new scheme of refinance against post-shipment export credit denominated in US dollar was introduced with effect from January 4, 1992, under which banks are provided export credit refinance equivalent to 133 1/3 per cent of the post-shipment export credit denominated in U.S. dollars extended by them to the exporters. In order to make the scheme more attractive, it was further liberalised in February and April 1992. The dollar-denominated export credit increased from Rs. 23 crore as on April 3, 1992 to Rs. 390 crore as on June 24, 1992. The refinance limits under the new scheme during the above period increased from Rs. 31 crore to Rs. 519 crore.

During 1991-92 (July-June), while total outstanding bank credit of all scheduled commercial banks increased by 14.1 per cent from Rs. 1,17,261 crore to Rs. 1,33,758 crore, their outstanding export credit increased from Rs. 9,930 crore to Rs. 12,020 crore or by 21.0 per cent. During the previous year, total outstanding credit had risen by 13.1 per cent and outstanding export credit by 11.6 per cent. Outstanding export credit formed 9.0 per cent of total outstanding bank credit as at the end of June 1992 as compared with 8.4 per cent a year ago.

Non-Resident Deposit Accounts

NR(E)RA and FCNRA Schemes

During the fiscal year 1991-92, according to provisional data, net outflows under the Foreign Currency (Non-Resident) Accounts [FC(NR)A]

scheme amounted to US $ 1,627 million (Rs. 3,641 crore) as against an inflow of US $ 168 million (Rs. 255 crore) in the preceding year. The Non-Resident (External) Rupee Accounts recorded a net decline of Rs. 217 crore (US $ 89 million) as compared with an accretion to these accounts of Rs. 156 crore (US $ 87 million) during 1990-91.

FC (ON) Deposit Scheme

Under the Foreign Currency (Ordinary Non-Repatriable) Scheme, details of which were set out in last year's Report, there was an inflow of US $ 5 million (Rs. 25 crore) during 1991-92 (April-March).

Under the Scheme, interest, which was to be compounded at half-yearly intervals and paid only along with the maturity proceeds of the deposit, could be paid half-yearly, if so desired by depositors, effective February 7, 1992.

Resident Foreign Currency Accounts

With a view to permitting returning Indians to retain their savings in foreign currency, the Reserve Bank introduced a new scheme with effect from February 15, 1992 in lieu of the existing Returning Indians Foreign Exchange Entitlement Scheme (RIFEE). Under the new scheme, returning Indians who were resident in the External Group countries are permitted to open and maintain, after their return to India, Resident Foreign Currency Accounts (RFCA) expressed in US dollars with authorised dealers in India to which they are permitted to credit the entire balances standing to the credit of their foreign currency accounts held abroad in permitted currencies which are to be transferred to India within three months from the date of their arrival in India. The deposits in such accounts are also allowed to be made out of their balances in NR (E) RA or FCNR accounts held in India by such persons before they became residents. Balances in RFC accounts can be freely utilised by holders for making local disbursements in rupees as well as for making bonafide remittances and for use abroad for themselves and their dependents for purposes other than for investments or purchase of immovable properties abroad. Balances in these accounts can be taken outside India or transferred to fresh NR (E)/FCNR accounts in India when the holders go abroad subsequently for employment, etc.

Exchange Earners' Foreign Currency Accounts

With the institution of the "Liberalised Exchange Rate Management System" (LERMS) from March 1, 1992 all exporters of goods and services and other recipients of inward remittances in convertible currencies will be allowed to retain upto 15 per cent of the receipts in foreign currency accounts, i.e., Exchange Earners' Foreign Currency (EEFC) Accounts with banks in India, out of the amount to be surrendered at free market rates. EEFCA will be maintained in any permitted currency and in any form, i.e., current/savings (without cheque facility)/ term deposit accounts and operations thereon would be conducted by the bank branch maintaining the account. The balances in EEFC Accounts will be exempted from the statutory liquidity ratio and cash reserve ratio requirements. The rate of interest will be determined by the banks taking into account the interest rates prevailing in international markets.

As a sequel to the introduction of the Liberalised Exchange Rate Management System, it has been decided to open a foreign currency deposit window in the Reserve Bank of India. Authorised dealers will be able to place funds in interest-bearing U.S. dollar deposits with Reserve Bank of India for periods of one month and above, with effect from March 25, 1992.

New Non-Resident (Non-Repatriable) Rupee Deposit Scheme

With a view to providing further incentives and giving wider options to non-residents, generally including overseas corporate bodies but excluding Pakistani and Bangladeshi nationals, a new non-Resident (Non-Repatriable) Rupee Deposit Scheme has been introduced effective June 15, 1992. The salient features of the scheme are given below:

Under the scheme, authorised dealers would be permitted to open accounts in Indian rupees with

funds remitted to India in free convertible foreign exchange from abroad or by way of transfer of foreign exchange from existing NR (E) RA/FCNR accounts. For the purpose of investment in this Scheme, transfer of funds from the NR (E) RA Accounts or the FCNR Accounts through premature withdrawal would not attract any penalty charges.

The authorised dealers are free to fix the maturity period of such deposits between 6 months and 3 years. The ADs are free to fix the rate of interest. The proceeds of the deposit together with interest accrued thereon would not be allowed to be repatriated outside India at any time. The deposits under the scheme would be free from any reserve requirements, CRR and/or SLR. Lending against these deposits would not be considered for the purpose of determining priority sector lending. The amount of the deposit can be gifted to a non-resident or to a close relative of the account holder in India as a one time gifting without payment of a gift tax. The income from the deposits will be free from Indian Income tax.

Trends in the Short-term Money Market

DFHI

Discount and Finance House of India (DFHI) has been seeking to develop an active secondary market for the money market instruments and integrate various segments of the market in order to facilitate the smoothening of short-term liquidity imbalance. Its turnover in call money market was significantly higher at Rs. 2,96,864 crore in 1991-92 as compared to Rs. 2,02,792 crore in 1990-91. As a result, the daily average lendings by DFHI in the call money market increased to Rs. 813 crore in 1991-92 as against Rs. 546 crore in 1990-91. There has been an increase in the cumulative turnover of DFHI in money market instruments during 1991-92 as also in the first few months of 1992-93 (Tables VII-10, 11 & 12).

Money Market Mutual Funds (MMMFs)

A new scheme of Money Market Mutual Funds (MMMFs) was introduced. The MMMFs can be set up by scheduled commercial banks and public financial institutions. The limit for these funds in the case of MMMFs set up by banks would be equivalent to 2 per cent of the sponsoring bank's fortnightly average aggregate deposits during 1991-92. As MMMFs are primarily intended to be a vehicle for individual investors to participate in the money markets, only individuals can subscribe to MMMFs. The minimum lock-in period would be 46 days. The investors cannot be guaranteed a minimum rate of return. Reserve requirements will not apply to MMMFs.

Call Money Market

After witnessing sharp volatility in call money rates during April-June 1991, the call money rates tended to stabilise at lower levels in July 1991. DFHI's daily weighted average lending rates came down from 23.4 per cent in July 1991 to 11.0 per cent in December 1991 and remained around that level till the last week of March 1992 (Table VII-13). The easy conditions in the call money market were due to the excess short-term liquidity in the financial system on account of foreign inward remittances, counterpart funds of India Development Bonds and sluggish demand for non-food credit. As a result, the average daily borrowings of 32 major scheduled commercial banks in the call money market came down from Rs. 7,500 crore in July 1991 to Rs. 5,662 crore in January 1992. The average daily lending by commercial banks in the call money market increased from Rs. 1,120 crore in June 1991 to Rs. 3,997 crore in April 1992. With the increased resources of the banking system, banks' borrowings in the call money market from financial institutions were reduced. The daily average lending of financial institutions in the call money market were reduced. The daily average lending of financial institutions in the call money market declined from Rs. 5,841 crore in June 1991 to Rs. 3,504 crore in April 1992.

During the months of April and May 1992, there was a flare-up in the interest rates with rates reaching dizzy heights of 100 per cent on April 28, 1992. The volatility in the call rate was caused by increased borrowings by some banks to cover their enhanced CRR requirements on year-end increase in deposits within a shorter period due to a number of holidays in April and May 1992,

Table VII-9 : RBI ACCOMMODATION TO SCHEDULED COMMERCIAL BANKS (EXCLUDING SPECIAL REFINANCE AGAINST SHIPPING LOANS, DUTY DRAWBACK, ETC.)

(Rs. crore)

As on the last Reporting Friday of	Export Credit Refinance		Standby Refinance		Discretionary Refinance		182 Days Treasury Bill Refinance		Total Refinance	
	Limit	Outst-anding	Limit	Outst-anding	Limit	Outst-anding	Limit	Outst-anding	Limit	Outst-anding
1	2	3	4	5	6	7	8	9	10	11
1991										
March	4,129.08	2,812.25	–	–	3,225.97	533.97	210.93	–	7,565.98	3,346.22
April	4,575.76	4,448.34	–	–	4,987.00	4,655.00	348.03	10.00	9,910.79	9,113.34
May	5,111.06	3,167.57	–	–	3,065.76	120.00	291.38	37.50	8,468.20	3,325.07
June	5,222.10	4,467.98	–	–	2,432.02	1,546.33	555.10	–	8,209.22	6,014.31
July	5,318.26	1,144.24	–	–	2,128.37	10.00	539.03	–	7,985.66	1,754.24
August	4,194.89	3,285.94	–	–	2,004.99	25.00	914.71	–	7,114.59	3,310.94
September	4,262.28	3,250.50	–	–	1,745.46	–	1,010.03	–	7,017.77	3,250.50
October	4,189.33	1,325.67	–	–	–	–	–	–	4,189.33	1,325.67
November	4,907.95	678.25	–	–	–	–	–	–	4,907.95	678.25
December	4,747.33	292.13	–	–	–	–	–	–	4,747.33	292.13
1992										
January	5,575.51	1,230.41	–	–	–	–	–	–	5,575.51	1,230.41
February	5,747.26	1,619.91	–	–	–	–	–	–	5,747.26	1,619.91
March	5,594.31	4,94.87	–	–	–	–	–	–	5,594.31	4,94.87
April	5,746.88	3,694.07	–	–	–	–	–	–	5,746.88	3,694.07
May	6,841.93	1,619.86	–	–	–	–	–	–	6,841.93	1,619.86
June	7,163.34	1,531.83	–	–	–	–	–	–	7,163.34	1,531.83
July	7,655.61	1,562.36	–	–	–	–	–	–	7,655.61	1,562.36
August	7,708.98	1,632.68	–	–	–	–	–	–	7,708.98	1,632.68
September	7,554.29	1,086.33	–	–	–	–	–	–	7,554.29	1,086.33
October	8,132.77	2,592.74	–	–	–	–	–	–	8,132.77	2,592.74

Table VII-10 : CUMULATIVE TURNOVER OF THE DFHI IN MONEY MARKET INSTRUMENTS (During the Fiscal Year)

(Rs. Crore)

Instrument	Total business turnover		
	During the week ended 18.12.92	1992-93 (upto Dec. 18)	Corresponding period of the last year
1	2	3	4
1. Call Funds	8,701	336,365	238,326
2. Treasury Bills	298 (184)	13,062 (11,933)	20,085 (16,540)
3. Commercial Bills	–	565	6,464
4. Certificates of Deposit	–	28	12
5. Commercial Paper	–	–	42
6. Term Deposits	11	3,672	4,205
7. Dated Central Government Securities	1,205	5,033* (2,372)	–

Figures in bracket indicate turnover under buy-back

* Buy-back deals undertaken prior to June 20, 1992.

Table VII-11 : RESERVE BANK REFINANCE TO DFHI

(Rs. crore)

As on the last day of the month	Refinance against the collaterals of 182 Days Treasury Bills				Refinance against short-term Commercial Bills				Refinance against Dated securities of the Central Government*			
	Limit	Outstanding	Peak level utilisation during the month	Limit corresponding to the peak utilisation as in Col. 4	Limit	Outstanding	Peak level utilisation during the month	Limit corresponding to the peak utilisation as in Col. 8	Limit	Outstanding	Peak level utilisation during the month	Limit corresponding to the peak utilisation as in Col. 12
1	2	3	4	5	6	7	8	9	10	11	12	13
1991												
March	200.00	126.81	230.26 (19.3.91)	300.00	700.00	700.00	700.00 (30.3.91)	700.00				
June	100.00	Nil	212.17 (20.6.91)	300.00	700.00	Nil	700.00 (24.6.91)	700.00				
September	100.00	92.52	98.77 (12.9.91)	100.00	50.00	50.00	50.00 ((27.9.91)	50.00				
December	100.00	Nil	337.04 (2.12.91)	600.00	50.00	Nil	50.00 (18.12.91)	50.00				
1992												
March	600.00	Nil	580.48 (27.3.92)	600.00	50.00	Nil	50.00 (27.3.91)	50.00				
June	100.00	26.55	27.61 (23.6.92)	100.00	200.00	151.20	200.00 (22.6.92)	200.00	100.00	28.00	100.00 (27.6.92)	100.00
July	100.00	Nil	36.90 (3.7.92)	100.00	100.00	Nil	146.70 (2.7.92)	200.00	100.00	Nil	34.20 (1.7.92)	100.00
August	100.00	Nil	100.00 (22,8.92)	100.00	100.00	Nil	–	–	100.00	Nil	–	–
September	100.00	1.15	100.00 (7.9.92)	100.00	100.00	Nil	–	–	100.00	Nil	–	–
October	100.00	Nil	64.63 (6.10.92)	100.00	100.00	Nil	–	–	100.00	Nil	–	–
November	100.00	Nil	100.00 (12.11.92)	100.00	100.00	–	–	–	100.00	Nil	–	–
December	100.00	Nil	57.69 (30.12.92)	100.00	100.00	Nil	–	–	100.00	Nil	–	–

* Effective April 2, 1992

Table VII-12 : INTEREST RATES FOR RESERVE BANK REFINANCE TO DFHI

(per cent per annum)

Refinance against holdings of 182 Days Treasury Bills +			Refinance against Commercial Bills			Refinance against Dated Securities @	
Effective Date		Rate of Interest	Effective Date		Rate of Interest	Effective Date	Rate of Interest
1		2		3	4	5	6
1991				1991		1992	
July	8	10.25	July	15	16.50	April 2	12.00
	9	10.00		17	16.25		
	13	10.50		18	15.75		
	15	10.75		29	15.75		
	17	10.50					
	18	10.25	August	5	15.00		
	22	10.00		7	14.00		
October	1	10.25	September	25	14.00		
	5	11.00					
	7	10.25					
				1992			
	9	11.50	April	13	15.00		
	12	12.50		25	16.00		
	19	10.00		28	20.00		
November	4	10.00	May	5	17.00		
	6	10.00					
	11	10.00	July	11	15.00		
	12	10.00					
	13	10.00					
	18	10.50					
	25	10.50					
December	5	10.25					
	7	10.00					
1992							
March	13	11.00					
	21	10.00					
	24	11.00					
	25	12.50					
	27	13.00					
April	7	12.00					
	20	10.00					
	30	11.00					
May	5	10.00					

\+ With effect from April 30, 1992 rate of interest relates to longer maturity treasury bills including 182 Days Treasury Bills.

@ A separate refinance limit of Rs. 100 crore was sanctioned to DFHI against dated securities of Government of India with effect from March 30, 1992.

Table VII-13 : CALL MONEY LENDING RATES OF DFHI

(per cent per annum)

For the fortnight ended		1990-91 Lending rate			For the fortnight ended		1991-92 Lending rate		
		Trough	Peak	Average of middle rate*			Trough	Peak	Average of middle rate*
1		2	3	4		5	6	7	8
1990					**1991**				
July	13	8.50	13.75	11.45	July	12	10.25	38.50	23.40
	27	7.50	12.25	10.10		26	5.00	27.00	14.05
August	10	8.00	11.00	9.50	August	9	5.00	17.50	12.60
	24	6.00	11.00	9.40		23	9.00	15.00	13.40
September	7	6.50	15.75	12.75	September	6	3.50	15.00	10.95
	21	10.00	26.00	16.50		20	3.00	14.50	10.85
October	5	10.00	34.00	22.60	October	4	5.00	50.00	18.60
	19	16.00	60.50	37.20		18	4.00	35.25	19.60
November	2	9.00	31.00	21.00	November	1	10.00	24.50	14.90
	16	8.00	28.00	19.35		15	15.00	36.00	23.25
	30	7.50	28.00	16.60		29	3.00	36.00	20.55
December	14	4.00	14.00	10.50	December	13	2.00	21.00	9.35
	28	7.50	15.00	13.20		27	3.50	16.25	9.60
1991					**1992**				
January	11	7.00	15.25	13.40	January	10	3.25	16.25	9.95
	25	5.00	15.00	11.80		24	4.00	10.75	9.25
February	8	6.00	14.25	12.65	February	7	2.25	10.00	8.40
	22	8.75	15.75	12.80		21	3.00	10.00	8.30
March	8	13.75	17.75	16.10	March	6	4.50	9.75	8.75
	22	7.00	27.75	21.30		20	2.00	20.25	10.30
April	5	5.00	25.00	16.05	April	3	6.00	15.00	26.70
	19	14.25	46.00	23.75		17	4.00	36.50	18.00
May	3	24.25	45.00	32.25	May	1	20.00	86.00	42.05
	17	20.00	60.50	42.90		15	6.00	51.00	34.15
	31	4.50	45.00	29.10		29	3.50	36.00	17.05
June	14	13.50	28.00	23.40	June	12	4.50	16.50	11.45
	28	6.00	38.00	25.15		26	5.00	22.00	15.00

* This is a simple average of daily middle rates.

inadequate supply of call funds and uncertainty in the market in the context of irregularities in funds management by commercial banks and financial institutions, particularly in relation to their operations in Government securities. By the end of May 1992, however, call money rates subsided to lower levels of 15-20 per cent. During the month of June, interbank call money market ruled fairly easy with marginal upward movement by the middle of June 1992. The rates firmed up to 20-25 per cent thereafter for sometime but by the end of June 1992 they declined. The rates ruled above 15 per cent in majority of days of July 1992. In the month of August, the ruling rates were lower between 3 per cent and 13 per cent. Thereafter by and large easy conditions prevailed in the call money market with the maximum rate touching 14 per cent in the last week of September 1992. During October and November 1992 call money rates remained easy.

182-day Treasury bills

There was an overwhelming response to 182-day Treasury bills in the financial year 1991-92. The outstanding amount of 182-day Treasury bills as at the end of March 1992 was Rs. 3,985.52 crore as compared with Rs. 1,077.59 crore as at the end of March 1991. During the period under review, the cut-off yield on these bills moved between 8.77 per cent to 10.08 per cent per annum. There was an auction on April 11, 1992 (the last held in this maturity in the current year so far) at which bids worth Rs. 245.0 crore were accepted at a cut-off yield of 8.77 per cent (Table VII-14).

364-day Treasury bills

As part of the overall development of the Government securities market, the Government of India decided in April 1992 to float Treasury bills of varying maturities up to 364 days on an auction basis. During the period up to December 1992, 17 auctions were held for 364-days Treasury bills and the outstanding amount as on December 8, 1992 was Rs. 7,921.64 crore. The cut-off yield on these bills which was 11.42 per cent in the first five auctions reached 11.22 per cent on the latest auction held on December 8, 1992 (Table VII-15).

Repos Auction for Government Dated Securities

To improve short-term monetary management of excess liqudity in the system and to even out interest rates in the call/notice money market, it is proposed to conduct, from time to time Repos Auction for Central Government Dated Securities from the Reserve Bank of India's portfolio. These Repos Auctions would be in the form of sales of Government securities by the Reserve Bank for very short periods (within the fortnightly make-up period), with a buy-back clause. The proposed Repos Auctions are expected to help even out liquidity of the banking system within the fortnight and reduce the volatility of call money rates. Four Repos Auctions have been held till December 31, 1992.

Certificates of Deposits

Effective May 2, 1992, the limits for issue of Certificates of Deposit (CDs) by scheduled commercial banks (excluding regional rural banks) were enhanced from 5 per cent to 7 per cent of the fortnightly average outstanding aggregate deposits in 1989-90. Consequently, the aggregate limits for the banking system for issue of CDs increased from Rs. 7,537 crore to Rs. 10,531 crore. CDs issued by banks in excess of the earlier limit of 5 per cent will not be subject to the CRR (Table VII-16).

Three financial institutions, viz., Industrial Development Bank of India, Industrial Credit and Investment Corporation of India and Industrial Finance Corporation of India, were permitted to issue CDs with a maturity period of more than one year and up to three years with an initial aggregate limit of Rs. 1,000 crore. The outstanding amount of CDs issued by these institutions was Rs. 538.54 crore as on June 26, 1992. Considering the resources constraints and also the need to provide flexibility to financial institutions to raise resources, the limits for issue of CDs of these three institutions were further enhanced to Rs. 1,350 crore in May 1992. Effective July 29, 1992, the Industrial Reconstruction Bank of India has also been permitted to issue CDs up to a limit of Rs. 100 crore. The outstanding amount of CDs issued by these institutions as on August 21, 1992 was Rs. 717.27 crore. The volume of CDs has been

Table VII-14 : 182 DAYS GOVERNMENT OF INDIA TREASURY BILLS

(per cent per annum)

Date of Auction		Bids Tendered		Bids Accepted		Cut-off Price for Rs. 100 of face value	Cut off yield (per cent per annum)	Total amount of Treasury bills Outstanding (Rs. crore)
		Number	Aggregate nominal amount (Rs. crore)	Number	Aggregate nominal (Rs. crore)			
1		2	3	4	5	6	7	8
1991								
July	10	23	326.00	9	198.00	95.23	10.02	2,287.77
	24	22	444.50	14	275.50	95.23	10.02	2,500.57
August	7	25	1,001.25	10	576.25	95.24	10.00	2,801.77
	21	18	660.35	12	623.75	95.25	9.97	3,337.52
September	4	21	188.50	5	60.50	95.26	9.95	3,359.72
	18	15	534.80	–	–	–	–	3,289.47
October	1	13	109.65	11	99.65	95.25	9.97	3,192.12
	15	16	283.50	9	238.00	95.25	9.97	2,851.12
	30	16	937.83	15	622.70	95.23	10.02	3,375.92
November	13	8	196.67	4	189.67	95.24	10.00	3,336.32
	27	6	47.30	4	46.30	95.25	9.97	3,225.82
December	11	12	57.65	11	56.65	95.23	10.02	3,194.97
	24	11	373.25	11	373.25	95.22	10.04	3,360.22
1992								
January	8	26	673.25	23	621.25	95.20	10.08	3,783.47
	22	29	1,109.25	7	582.25	95.24	10.00	4,090.22
February	5	44	1,055.35	2	100.00	95.30	9.86	3,613.97
	19	73	2,106.25	24	774.00	95.45	9.53	3,764.22
March	4	59	1,184.50	2	125.00	95.80	8.77	3,828.72
	17	16	196.80	14	156.80	95.75	8.88	3,985.52
	31	8	43.70	7	42.70	95.57	9.27	3,928.57
April	11	25	538.00	13	245.00	95.80	8.77	3,935.57
	28 @	–	–	–	–	–	–	3,312.87
		–	–	–	–	–	–	
May	13 @	–	–	–	–	–	–	3,123.20
	27 @	–	–	–	–	–	–	3,076.90
June	9 @	–	–	–	–	–	–	3,020.25
	24 @	–	–	–	–	–	–	2,647.00
July	7 @	–	–	–	–	–	–	2,025.25

@ Auction was held for 364 Days Treasury Bills upto June end.

Table VII-15 : 364 DAYS GOVERNMENT OF INDIA TREASURY BILLS

(per cent per annum)

Date of Auction		Bids Tendered		Bids Accepted		Cut-off Price for Rs. 100 of face value	Cut off yield (per cent per annum)	Total amount of Treasury Bills Outstanding (Rs. crore)
		Number	Aggregate nominal (Rs. crore)	Number	Aggregate nominal (Rs. crore)			
1		2	3	4	5	6	7	8
1992								
April	28	75	1,128.65	53	666.15	89.75	11.42	666.15
May	13	57	1,396.48	41	961.48	89.75	11.42	1,627.63
	27	60	1,087.23	41	797.75	89.75	11.42	2,425.38
June	9	43	537.64	33	412.64	89.75	11.42	2,838.02
	24	85	1,756.16	66	1,474.16	89.75	11.42	4,312.18
July	7	26	589.00	10	387.00	89.80	11.36	4,699.18
	22	56	1,979.65	16	854.60	89.87	11.27	5,553.78
August	5	67	1,623.35	21	795.85	89.93	11.20	6,349.63
	19	55	997.80	35	810.00	39.95	11.17	7,159.63
September	2	17	163.00	12	139.50	89.95	11.17	7,299.13
	16	25	118.00	15	43.00	89.95	11.17	7,342.13
	29	13	165.60	10	130.60	89.85	11.30	7,472.73
October	10	16	337.00	10	264.00	89.85	11.30	7.736.73
	28	18	116.80	10	69.80	89.85	11.30	7,808.53
November	11	26	265.00	3	20.00	89.86	11.28	7,826.53
	25	49	485.11	9	75.11	89.88	11.26	7,901.64
December	8	5	40.00	2	20.00	89.91	11.22	7,921.64

Table VII-16 : ISSUE OF CERTIFICATES OF DEPOSIT (CDs) BY SCHEDULED COMMERCIAL BANKS

Fortnight ended		Number of banks which issued CDs (as at the end of the fortnight)	Total outstandings (Rs. crore)	Effective interest rate (range) of CDs issued during the fortnight for all maturities (per cent per annum)
1		2	3	4
1991				
July	12	52	4,846	9.00-17.00
	26	52	4,683	10.50-17.00
August	9	53	4,805	11.00-17.00
	23	53	5,121	10.00-21.00
September	6	52	5,198	11.00-18.96
	20	51	5,010	11.50-16.00
October	4	51	4,901	12.00-21.00
	18	50	5,023	12.00-21.00
November	1	52	4,956	13.00-17.00
	15	51	4,957	11.00-21.00
	29	51	5,257	12.50-21.00
December	13	51	5,406	12.50-17.66
	27	52	5,373	12.50-17.64
1992				
January	10	51	5,500	13.00-21.00
	24	51	5,655	12.00-22.00
February	7	51	5,633	13.50-17.01
	21	50	5,656	13.50-17.28
March	6	50	5,693	12.50-17.62
	20	50	5,682	12.00-17.00
April	3	49	5,810	13.00-17.50
	17	50	5,608	12.50-17.00

growing and as on April 17, 1992 the outstanding amounted to Rs. 5,608 crore. While the primary issues have been increasing, the transactions in the secondary market have not developed as holders have a strong preference to hold the CDs to maturity. This points to the possibility that relative to demand, banks are pricing the interest rate on CDs at a somewhat higher level than necessary.

Commercial Paper

With a view to further widening the scope for issue of Commercial Paper (CP) in the primary market and also to provide flexibility to companies issuing CP, effective May 13, 1992, the following changes were made in the guidelines for issue of CP :

i) The working capital (fund-based) limit of the issuing company was reduced to not less than Rs. 5 crore from Rs. 10 crore hitherto.

ii) The minimum credit rating from Credit Rating Information Services of India Ltd. (CRISIL) which was P1 hitherto was changed to P2, and from Investment Information and Credit Rating Agency of India Ltd. (ICRA) it was changed to A2 from A1.

iii) The ceiling on the aggregate amount to be raised by a company by issue of CP was raised from 30 per cent to 75 per cent of its working capital (fund-based) limit.

iv) The stipulation that shares of the company should be listed on one or more stock exchange/s was withdrawn.

The outstanding amount of CP issued as on March 31, 1992 aggregated Rs. 332.65 crore in respect of 22 companies.

While the primary market in CP has made significant progress and outstandings have increased from Rs. 64.70 crore as on June 30, 1991 to Rs. 198.05 crore as on June 30, 1992, the secondary market is yet to develop.

Selective Credit Control

During the year under review, selective credit controls were subject to continuous review and policy changes were effected in response to the trends emerging in commodity balances and prices. The details regarding the changes effected during the year are set out below:

September 1991

Raising of Minimum Margins on Paddy/Rice & 'Other Foodgrains'

The minimum margins on bank advances against paddy/rice and 'other foodgrains' (other than paddy/rice and wheat) were raised across-the-board by 15 percentage points, effective September 4, 1991, to 60 per cent for mills/ processing units and against warehouse receipts and to 75 per cent for 'others.'

Reintroduction of Selective Credit Controls on Wheat

Bank advances against wheat including advances to roller flour mills which were exempt from the selective credit control stipulations, effective July 2, 1990, were brought back under the control provisions, effective September 4, 1991. The minimum margins were kept at 30 per cent for mills/processing units and against warehouse receipts and 45 per cent for 'others.' The level of credit ceiling on advances against this commodity was set at 100 per cent of the peak level of credit maintained by the party in any of the three year period ended 1989-90 (November-October).

October 1991

Reintroduction of Selective Credit Controls on Cotton and Kapas

Bank advances against cotton and kapas which were exempt from selective credit control stipulations, effective April 16, 1990, were brought back under the control provisions, effective October 9, 1991. The minimum margins were kept at 45 per cent for 'others' (other than mills/processing units) and 30 per cent against warehouse receipts. The level of credit ceiling was set at 85 per cent of the peak level of credit maintained by a party in any of the three year period ended 1989-90 (November-October). Mills/ processing units continued to be exempt from the control stipulations.

Minimum Margins on Pulses

The minimum margins on advances against pulses were raised across the board by 15 percentage points, effective October 9, 1991 to 60 per cent for mills/processing units and against warehouse receipts and to 75 per cent for 'others.'

Level of Credit Ceiling on Wheat

The level of credit ceiling on advances against wheat was lowered, effective October 9, 1991, from 100 per cent to 85 per cent of the peak level of credit maintained by a party in any of the three year period ended 1989-90 (November-October).

Lending Rate on Advances against Commodities under Selective Credit Control

The lending rate on advances against commodities covered under selective credit control was raised to 20 per cent (minimum), effective October 9, 1991.

February 1992

Minimum Margins on Advances against Wheat

The minimum margins on advances against wheat including advances to roller flour mills were raised, across the board by 15 percentage points, effective February 11, 1992 to 45 per cent for mills/processing units and against warehouse receipts and to 60 per cent for 'others.'

Minimum Margins on Advances against Cotton and Kapas

The minimum margins on advances against cotton and kapas to 'others' (other than mills/processing units) and against warehouse receipts were raised, by 15 percentage points, effective February 11, 1992 to 60 per cent for 'others' and to 45 per cent against warehouse receipts. Mills/processing units continued to be exempt from the provisions of selective credit control.

March 1992

Lending Rate on Advances against Commodities under Selective Credit Control

The lending rate on advances against commodities within the selective credit control was reduced from 20.0 per cent (minimum) to 19.0 per cent (minimum), effective March 2, 1992.

Minimum Margins on Advances against Wheat

The minimum margins on advances against wheat were raised across the board by 15 percentage points, effective March 12, 1992 to 60 per cent for mills/processing units and against warehouse receipts and to 75 per cent for 'others.'

April 1992

Minimum Margins on Advances against Cotton and Kapas

The minimum margins on advnces against cotton and kapas were raised by 15 percentage points, effective April 22, 1992 to 75 per cent for 'others' (other than mills/processing units) and to 60 per cent against warehouse receipts. Mills/processing units continued to be exempt from the provisions of selective credit control.

Level of Credit Ceilings — Base Period

For commodities having a stipulation on the level of credit based on the three-year period ended 1989-90 (November-October), the base period was brought forward by one year, effective April 22, 1992 to the three-year period ended 1990-91 (November-October).

Level of Credit Ceilings on Paddy/Rice and Wheat

The level of credit ceiling applicable to paddy/rice and wheat was reduced, effective April 22, 1992, from 85 per cent to 70 per cent of the peak level of credit maintained by the party in any of the three years ended 1990-91 (November-October).

The revised structure of minimum margins and level of credit ceiling stipulations applicable to the commodities covered by selective credit control as on April 22, 1992 is set out in Table VII-16A. Scheduled Commercial banks' outstanding advances against selected commodities are indicated in Table VII-16B. Security-wise advances to mills/factories and industrial users as a percentage to total credit against sensitive commodities is set out in Table VII-16C.

The provisions of the directives on selective credit control in force as on April 22, 1992 are given in Annexure II.

Table VII-16A : THE STRUCTURE OF MINIMUM MARGINS AND LEVEL OF CREDIT CEILINGS ON BANK ADVANCES AGAINST COMMODITIES SUBJECT TO SELECTIVE CREDIT CONTROLS, EFFECTIVE APRIL 22, 1992

(Percentages)

Commodities	Minimum Margins			Level of Credit Ceiling (base year : Three years ending 1990-91 November-October)
	Mills/ Processing Units	'Others'	Ware-house receipts	
1	2	3	4	5
1. Paddy/Rice	60	75	60	70
2. Wheat	60	75	60	70
3. Pulses	60	75	60	85
4. Other Foodgrains	60	75	60	85
5. Oilseeds (viz., groundnut, rapeseed/ mustard, cottonseed, linseed, castorseed and all imported oilseeds)	60	75	60	85
6. Vegetable Oils (viz., groundnut oil, rapeseed/mustard oil, cottonseed oil, linseed oil, castor oil, vanaspati and all imported vegetable oils)	60 @	75	60	85
7. Sugar				
a) Buffer	0	–	–	–
b) Unreleased stocks	20*	–	–	–
c) Released stocks	75	75	60	–
8. Gur and Khandsari	45	75	60	–
9. Cotton and Kapas	X	75	60	85 +

X Exempt from the stipulations.
* Reduced to 17.5 per cent during the period May 9, 1991 to August 8, 1991.
@ Applicable to registered oil mills.
\+ Applicable to other than mills/processing units
– Not applicable.

Table VII-16B : SCHEDULED COMMERCIAL BANKS' OUTSTANDING ADVANCES AGAINST SELECTED COMMODITIES.

(Rs. crore)

Commodities	AS ON THE LAST FRIDAY OF					
	March 1990		March 1991		March 1992*	
	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total
1	2	3	4	5	6	7
1. Foodgrains (excluding food procurement advances)	**641.8**	**26.2**	**607.4**	**22.6**	**702.3**	**25.3**
a) Paddy/rice	433.0	17.6	392.1	14.6	452.0	16.3
b) Wheat	77.1	3.1	71.3	2.7	85.6	3.1
c) Pulses	65.0	2.7	87.8	3.3	99.5	3.6
d) Other foodgrains	66.8	2.7	56.2	2.1	65.3	2.4
2. Sugar (including Khandsari and gur)	**565.3**	**23.0**	**836.3**	**31.2**	**817.4**	**29.5**
a) Sugar	535.9	21.8	806.8	30.1	773.2	27.9
b) Khandsari	26.2	1.1	26.1	1.0	35.6	1.3
c) Gur	3.2	0.1	3.3	0.1	8.7	0.3
3. Major Oilseeds	**173.1**	**7.1**	**181.2**	**6.8**	**152.9**	**5.5**
a) Groundnut	31.7	1.3	43.7	1.6	24.7	0.9
b) Rapeseed/Mustard	16.9	0.7	15.0	0.6	18.1	0.7
c) Linseed	0.6	–	0.6	–	1.1	–
d) Castorseed	4.3	0.2	6.0	0.2	3.7	0.1
e) Cottonseed	10.4	0.4	10.8	0.4	13.7	0.5
f) Soyabean	93.7	3.8	92.2	3.4	72.0	2.6
g) Other Oilseeds	15.5	0.6	13.0	0.5	19.5	0.7
4. Major Vegetable Oils and Vanaspati	**252.8**	**10.3**	**249.8**	**9.3**	**270.5**	**9.8**
a) Groundnut Oil	41.2	1.7	29.5	1.1	37.5	1.4
b) Rapeseed/Mustard Oil	38.0	1.5	29.6	1.1	44.2	1.6
c) Castor Oil	39.5	1.6	41.7	1.6	11.2	0.4
d) Linseed Oil	2.3	0.1	5.8	0.2	1.6	0.1
e) Cottonseed Oil	12.1	0.5	16.5	0.6	18.5	0.7
f) Soyabean Oil	17.6	0.7	23.4	0.9	39.6	1.4
g) Other Vegetable Oil	27.3	1.1	35.4	1.3	41.3	1.5
h) Vanaspati	75.0	3.1	67.8	2.5	76.4	2.8
5. Cotton and kapas	**671.6**	**27.4**	**661.5**	**24.7**	**689.8**	**24.9**
6. Raw Jute	**148.7**	**6.1**	**146.5**	**5.5**	**139.4**	**5.0**
Total	**2,453.3**	**100.0**	**2,682.7**	**100.0**	**2,772.3**	**100.0**

* Data are provisional

– Nil or Negligible.

Note : Data on advances against cotton and kapas, raw jute, oilseeds and oil are exclusive of advances to Cotton Corporation of India, Jute Corporation of India and National Dairy Development Board, respectively.

Source : Estimates are based on Basic Statistical Return-3 received from head offices of banks.

Table VII-16C : SECURITY-WISE ADVANCES TO MILLS/FACTORIES AND INDUSTRIAL USERS
(As Percentage to total credit against Sensitive Commodities)

Commodity	LAST FRIDAY OF		
	March 1992	March 1991	March 1990
1	2	3	4
1. Castorseed	100.0	93.3	93.0
2. Vanaspati	97.6	98.7	98.5
3. Castor Oil	97.3	94.0	95.9
4. Sugar	95.6	95.7	93.5
5. Cottonseed Oil	94.1	97.6	95.9
6. Groundnut Oil	93.9	92.5	96.1
7. Linseed Oil	93.8	96.6	87.0
8. Khandsari	93.0	92.0	90.5
9. Raw Jute	92.1	92.4	95.4
10. Cottonseed	92.0	92.6	89.7
11. Other Vegetable Oils	91.3	72.9	88.6
12. Pulses	89.9	86.7	78.6
13. Rapeseed/Mustard Oil	87.1	77.4	85.3
14. Wheat	86.7	91.3	90.3
15. Soyabean	83.1	56.7	93.8
16. Rapeseed/Mustard Seed	80.7	81.3	76.3
17. Paddy/Rice	77.1	81.4	82.8
18. Cotton & Kapas	76.2	72.2	66.7
19. Other Foodgrains	73.5	63.3	56.6
20. Linseed	63.6	83.3	67.0
21. Other Oilseeds	52.8	84.6	87.1
22. Groundnut	42.1	73.0	83.6
23. Soyabean Oil	37.9	91.0	99.4
24. Gur	9.2	21.2	16.0
All Selected Commodities	84.0	84.0	82.5

Source : Basic Statistical Return-3

Qualitative changes in banking developments

Sectoral deployment of credit

Data relating to sectoral deployment of credit of scheduled commercial banks are presented in Table VII-17. With the expansion in gross bank credit for 1991-92 shrinking to almost half of the previous year's expansion, there has been a substantial reduction in the expansion of credit amongst almost all the sectors. The only exemption was the export credit and also to an extent the credit for agricultural sector under the priority sector. In all other sectors credit expansion registered sharp deceleration. The total incremental gross bank credit stood at Rs. 7,897 crore as against Rs. 15,348 crore in the previous year. The share of public food procurement credit showed a fractional decline of 0.1 percentage point to 3.7 per cent. The increase in gross credit for this sector was minimal at Rs. 164 crore as compared to Rs. 2,500 crore deployed in the previous year. Credit to medium and large industries registered substantial deceleration amounting to Rs. 2,822 crore which was lesser by more than half of Rs. 6,246 crore deployed in the previous year. Its share in the total credit also fell by 0.1 per cent to 4.9 per cent. Bank credit to wholesale trade also was lower at Rs. 284 crore as compared to Rs. 438 crore in the preceding year.

The share of priority sector's credit in total gross credit has been declining in recent years. From over 40 per cent its share declined to 39.3 per cent in March 1991 and rather sharply to 36.4 per cent in March 1992. On incremental terms also there is no appreciable increase in the credit extended to this sector during 1991-92 as compared to previous year. During 1991-92, the incremental credit for this sector placed at Rs. 2,554 crore showed an increase of a meagre Rs. 22 crore as compared to Rs. 2,532 crore in 1990-91. The loan written off during 1990-91 by public sector and regional rural banks under the 'Agricultural Rural Debt Relief Scheme 1990' has been the main factor responsible for this fall in priority sector credit. The deceleration in overall bank credit led to a lower expansion in incremental non-food gross bank credit to 6.9 per cent in 1992, almost half of the rise of 12.8 per cent occurred in 1990-91. The lower pace of credit expansion during 1991-92 over and above that of 1990-91 as explained earlier was essentially due to severe import compression measures, costlier credit and general slowdown of the economy.

Table VII-17 : SECTORAL DEPLOYMENT OF GROSS BANK CREDIT@
(As on the last reporting Friday)

(Rs. crore)

Sectors	Outstanding			Variations over year	
	March 1990	March 1991	March 1992	1990-91	1991-92
1	2	3	4	5	6'
I. Public Food Procurement Credit	**2,006** (2.0)	**4,506** (3.8)	**4,670** (3.7)	**+2,500**	**+164**
II. A. Priority Sectors	**40,383**	**42,915**	**45,469**	**+2,532**	**+2,554**
i) Agriculture	16,526 (16.1)	16,750 (14.2)	18,187 (14.4)	+224	+1,437
ii) Small Scale Industries	15,543 (15.1)	17,181 (14.6)	18,158 (14.4)	+1,638	+977
iii) Other Priority Sectors	8,314 (8.1)	8,984 (7.6)	9,124 (7.3)	+670	+140
B. Industry (Medium & Large)	**38,262** (37.3)	**44,508** (37.7)	**47,330** (37.6)	**+6,246**	**+2,822**
C. Wholesale Trade (other than food procurement)	**5,472** (5.3)	**5,910** (5.0)	**6,194** (4.9)	**+438**	**+284**
D. Other Sectors	**16,548** (16.1)	**20,180** (17.1)	**22,343** (17.7)	**+3,632**	**+2,163**
III. Non-Food Gross Bank Credit	**1,00,665** (98.0)	**1,13,513** (96.2)	**1,21,336** (96.3)	**+12,848**	**+7,823**
Export Credit (included under item III)	8,245 (8.0)	9,186 (7.8)	10,261 (8.1)	+941	+1,075
IV. Gross Bank Credit	**1,02,671** (100.0)	**1,18,019** (100.0)	**1,26,006** (100.0)	**+15,348**	**+7,987**

@ Provisional

Note : 1. Data relate to 50 scheduled commercial banks (49 from March 1990 & 48 from August 1990 due to mergers) which account for about 95 percent of bank credit of all scheduled commercial banks. Further, these gross bank credit data include bills rediscounted with RBI, IDBI, EXIM Bank, other approved financial institutions and inter-bank participation.

2. Figures in brackets are percentage to Gross Bank Credit.

Industry-wise Deployment of Credit

Table VII-18 presents the industry-wise deployment of gross bank credit. The proportion of industrial credit to total gross credit remained unchanged at about 52.0 per cent in 1991-92. But the incremental credit expansion was less than half of that of the previous year's expansion which reflects sharp fall in industrial growth during 1991-92. Industries which registered sharp fall in incremental gross credit were: other metals and metal products, all engineering, textiles (excluding jute), paper and paper products, food processing, vegetable oil, chemicals, dyes, paints, etc. (excluding drugs and pharmaceuticals), and construction. Leather and leather products, gems and jewellery, cement, rubber and rubber products, tobacco and tobacco products, sugar electricity (general and trans) have all exhibited higher incremental bank credit.

The Basic Statistical Returns (BSR) compiled by the scheduled commercial banks give a better coverage and improved data on their advances to various sectors and these are presented in Table VII-19. As per the latest data available credit to industrial sector improved from 47.3 per cent of total bank credit extended at the end of June 1989 to 48.8 per cent at the end of March 1990. On the other hand, the share of agriculture and allied activities fell sizeably from 17.3 per cent to 15.9 per cent in this period. The services sector also improved its share from 3 per cent to 3.7 per cent. The share of other sectors have more or less remained at the same level as in the previous year.

The percentage share of some of the major industries in the total bank credit extended by scheduled commercial banks are presented in Table VII-20. As compared to the previous year's trend, the share of basic metals and metal products which was below 5 per cent had improved to a little over 5 per cent in the year ending March 1990. So also chemicals and chemical products, coal, heavy engineering, leather and leather products have all shown a slight improvement. Industries such as sugar, textiles, engineering and fertilizers have shown some deceleration in their share to total credit.

Provisional data for the year ending March 1991 show further improvement in the share of industry's credit to total bank credit to 58.6 per cent. Engineering, sugar, textiles, cotton textiles have all registered higher increases in their respective shares; in the previous year these industries' share showed a decline. Basic metals and metal products, chemical and chemical products and fertilisers also showed significant rise in their shares to total credit.

Further details on bank borrowings in terms of some important financial ratios as borne out by the RBI's studies on company finance (Table VII-21) reveal that with respect to 1,908 public limited companies including large companies, the ratio of total bank borrowing to total inventories moved in tandem with the ratio of total inventories to sales — while the former which increased from 61.5 per cent in 1987-88 to 64.7 per cent in 1988-89 declined to 63.9 per cent in 1989-90, the latter moved up from 24.7 per cent to 25.1 per cent and declined to 24.3 per cent. The ratio of short-term bank borrowing to total inventories maintained a static level at 51.7 per cent during 1988-89 and 1989-90 after having increased from 48.7 per cent in 1987-88. However, studies exclusively on large public limited companies presented a different scenario. Despite an increase in the ratio of total inventories to sales of the large companies to 25.5 per cent in 1990-91 from 24.8 per cent in 1989-90 which declined from 25.5 per cent in 1988-89, the ratio of total borrowing to total inventories and the ratio of short-term borrowing to total inventories maintained a downtrend during 1988-91.

Credit Targets and Achievements

Advances to Priority Sectors

Public Sector Banks

The credit extended by the public sector banks to priority sectors during the year ending June 19, 1992 stood at Rs. 44,995 crore. At this level, although in absolute terms the credit extended to this sector showed an increase of Rs. 2,902 crore (6.9 per cent), this increase as compared to the increase of the previous year of Rs. 3,444 crore (8.9 per cent) was not only less but also its share in the net bank credit declined

Table VII-18 : INDUSTRY-WISE DEPLOYMENT OF GROSS BANK CREDIT@
(As on the last reporting Friday)

(Rs. crore)

Industry	Outstanding as on			Variations over the year	
	March 23, 1990	March 22, 1991	March 20, 1992	1990-91	1991-92
1	2	3	4	5	6'
1. Coal	178	229	247	+51	+18
	(0.2)	(0.2)	(0.2)		
2. Iron & Steel	2,835	3,292	3,688	+457	+396
	(2.8)	(2.8)	(2.9)		
3. Other Metals & Metal Products	1,838	2,227	2,341	+389	+114
	(1.8)	(1.9)	(1.9)		
4. All Engineering	12,509	13,931	14,915	+1,422	+984
	(12.2)	(11.8)	(11.8)		
Of which Electronics	1,290	1,874	2,089	+584	+215
	(1.2)	(1.6)	(1.7)		
5. Electricity (Gen. & Trans.)	1,258	1,152	1,294	−106	+142
	(1.2)	(1.0)	(1.0)		
6. Cotton Textiles	3,659	4,073	4,251	+414	+178
	(3.6)	(3.5)	(3.4)		
7. Jute Textiles	340	339	332	−1	− 7
	(0.3)	(0.3)	(0.3)		
8. Other Textiles	3,297	3,761	3,985	+ 464	+ 224
	(3.2)	(3.2)	(3.2)		
9. Sugar	647	639	900	− 8	+ 261
	(0.6)	(0.5)	(0.7)		
10. Tea	571	608	658	+ 37	+ 50
	(0.5)	(0.5)	(0.5)		
11. Food Processing	1,056	1,216	1,252	+ 160	+ 36
	(1.0)	(1.0)	(1.0)		
12. Vegetable Oils (including Vanaspati)	700	865	899	+ 165	+ 34
	(0.7)	(0.7)	(0.7)		
13. Tobacco & Tobacco Products	379	391	552	+ 12	+161
	(0.4)	(0.3)	(0.4)		
14. Paper & Paper Products	1,346	1,482	1,501	+ 136	+ 19
	(1.3)	(1.3)	(1.2)		
15. Rubber & Rubber Products	912	989	1,079	+77	+ 90
	(0.9)	(0.8)	(0.9)		
16. Chemicals, Dyes, Paints etc.	6,785	7,743	8,279	+ 958	+ 536
	(6.6)	(6.6)	(6.6)		
Of which					
1) Fertilisers	1075	1,309	1,340	+ 234	+ 31
	(1.0)	(1.0)	(1.1)		
2) Petro-Chemicals	681	680	609	−1	−71
	(0.7)	(0.6)	(0.5)		
3) Drugs & Pharmaceuticals	1,013	987	1,120	− 26	+ 133
	(1.0)	(0.8)	(0.9)		
17. Cement	843	899	982	+ 56	+ 83
	(0.8)	(0.8)	(0.8)		
18. Leather & Leather Products	931	998	1,087	+ 67	+ 89
	(0.9)	(0.8)	(0.9)		
19. Gems & Jewellery	1,214	1,236	1,294	+ 22	+ 58
	(1.2)	(1.0)	(1.0)		
20. Construction	1,091	1,321	1,365	+ 230	+ 44
	(1.0)	(1.1)	(1.1)		
21. Petroleum	137	54	19	− 83	− 35
	(0.1)	(0.1)	(−)		
22. SAFAUNS*	149	87	68	− 62	−19
	(0.1)	(0.1)	(0.1)		
23. Other Industries	11,130	14,157	14,500	+ 3,027	+ 343
	(10.8)	(12.0)	(11.5)		
24. Credit to Industries	53,805	61,689	65,488	+ 7,884	+ 3,,799
	(52.4)	(52.3)	(52.0)		
25. Gross Bank Credit	1,02,671	1,18,019	1,26,006	+ 15,348	+ 7,987
	(100.)	(100.0)	(100.0)		

* Ships acquired from abroad under new scheme. @ Provisional

Note : Figures in brackets are percentage to total Gross Bank Credit.

Table VII-19 : SECTORAL CLASSIFICATION OF SCHEDULED COMMERCIAL BANKS' ADVANCES

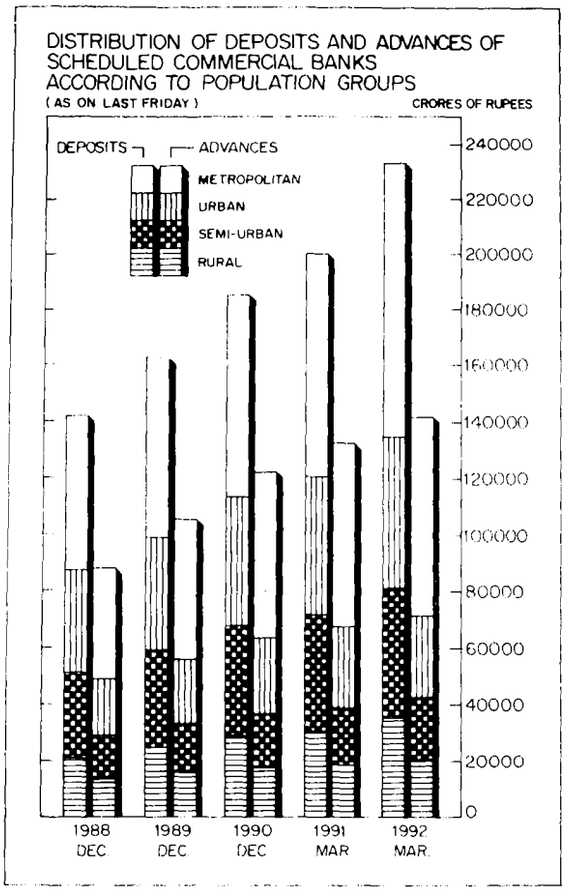
(Amount in Rupees crore)

Sector	Outstanding as on last day of March 1990	
	Amount	% to total
1	2	3
I. Industry	50,846	48.8
a) Large & Medium Industries	37,934	36.4
b) Small Scale Industries	12,912	12.4
II. Agriculture & Allied Activities	16,626	15.9
Of which		
a) Direct Finance	14,435	13.8
b) Plantations	935	0.9
III. Internal Trade	14,486	13.9
a) Wholesale trade	8,927	8.6
Of which		
Food procurement	2,315	2.2
b) Retail Trade	5,560	5.3
IV. Services	3,093	3.0
V. Personal Loans	6,698	6.4
VI. All Others*	12,563	12.0
VII. Total	1,04,312	100.0

* Includes advances to Transport operators;
Source : BSR-1 received in BSD, DESACS

from 40.9 per cent to 39.3 per cent which is below the stipulated target of 40 per cent. Among the different sectors within the priority sectors, agricultural sector received higher amount of Rs. 18,464 crore in the year under review as compared to Rs. 16,864 crore but here again, the share of agriculture fell from 16.4 per cent to 16.1 per cent. Direct advances to agricultural sector increased to Rs. 17,020 crore over that of the previous year's credit of Rs. 15,782 crore. The share of agriculture advances in the net bank credit has been falling gradually in the past three years; from 18 per cent in 1990 it decreased to 16.4 per cent in 1991 and further to 16.1 per cent in June 1992. While the share of direct advances to agriculture declined that of indirect advances improved. Small-scale industries which showed an improvement in its share in the previous year (16.1 per cent) showed a fall in the year ending June 1992 (15.5 per cent). Overall there has been a fall in the growth of net bank credit which has been reflected in all the various sectors (Table VII-22).

Within the priority sectors, advances to weaker sections at Rs. 10,948 crore as at the end of the June 1992 which formed 9.6 per cent of advances was less than the prescribed target of 10 per cent.



Outstanding advances of public sector banks to scheduled castes/scheduled tribes increased from Rs. 3,374 crore in 90.63 lakh borrowal accounts at the end of June 1991 to Rs. 3,629 crore in 90.47 lakh borrowal accounts at the end of March 1992. The share of scheduled castes and scheduled tribes in priority sector advances increased by 0.5 per cent to 8.5 per cent during the year.

Private Sector Banks and Foreign Banks

Latest data available on the private sector bank's advances to priority sectors suggest that the amount of Rs. 1,722 crore extended by them up to September 1991 constituted 34.7 per cent of net bank credit thus showing a slight improvement in a six-month period; as on March 1991, their advances of Rs. 1,641 crore formed 34.5 per cent in their net bank credit. There was an improvement in their direct credit to agriculture which constituted 8.5 per cent as compared to 8.2 per cent achieved at the end of March 1991.

Priority sector advances as percentage of net bank credit in the case of foreign banks operating in India declined from 9.8 per cent at the end of March 1990 to 9.5 per cent as the last Friday of March 1991 and further declined to 7.8 per cent as on the last Friday of September 1991. However, these are far below the target required to be achieved by them at 12 per cent by the end of March 1990. By March 1992, foreign banks have been advised to achieve a priority sector lending level of 15 per cent of their net bank credit.

20-Point Programme

Under the 20-Point Programme, the rationale of which lay in identifying specific target groups that remained neglected in the economy and to bestow on them the benefit of institutional finance, banks have played a crucial role by associating themselves in maximum number of programmes. As per the revised 20- Point Programme of August 1986, fifteen out of 20 points have relevance to the banking system. The financial assistance by 28 public sector banks under the programme stood at Rs. 11,702.55 crore as at the end of March 1992 in 203.85 lakh borrowal accounts. Such assistance formed 26.2 per cent of total priority sector advances during the same period.

Differential Rate of Interst (DRI) Scheme

As at the end of December 1991, outstanding advances of public sector banks under the Differential Rate of Interest (DRI) Scheme amounted to Rs. 703 crore in 34.74 lakh borrowal accounts as against Rs. 643 crore in 34.74 lakh borrowal accounts in June 1991. Advances of banks under DRI scheme as at the end of December 1991 from 0.9 per cent (lower than the target of 1.0 per cent) of their total advances outstanding as at the end of March 1990. As at the end of December 1991, outstanding advances granted under the scheme to beneficiaries belonging to SCs/STs amounted to Rs. 364 crore in 16.19 lakh borrowal accounts, forming 51.8 per cent of total DRI advances which exceeded the prescribed target of 40 per cent. There were no further modification effected in the Scheme subsequent to May 1991 which were covered in the previous Report.

Table VII-20 : ADVANCES OF SCHEDULED COMMERCIAL BANKS' TO MAJOR INDUSTRIES

(Percentage to total Bank Credit)

Industry	As on last day of March 1990	
1	2	3
Basic metals & metal products	5.2	6.5
Of which : iron & steel	2.9	3.6
Beverage & Tobacco	0.7	0.8
Cement	0.8	
Chemical & Chemical Products	6.1	7.9
Of which :		
Heavy Industrial Chemicals	1.0	1.3
Drugs & Pharmaceuticals	1.4	1.8
Fertilisers	1.1	1.5
Coal	0.3	
Edible Oils & Vanaspati	0.7	0.9
Engineering	8.6	10.5
Heavy Engineering	2.8	3.4
Light Engineering	2.2	2.5
Others	3.6	
Leather & Leather Products	1.0	1.2
Manufacture of Petroleum & Coal Products & Processing of nuclear fuels	0.4	0.5
Paper, Paper Products & Printing	1.6	2.0
Rice, Flour & Dal mills	0.8	0.9
Rubber & Rubber Industries (Products)	0.9	1.0
Sugar	0.5	0.7
Textiles	7.2	9.0
Cotton Textiles	2.9	0.7
Jute Textiles	0.3	0.3
Vehicles, Vehicle parts & transport equipments	2.2	2.9
Other Industries	7.1	6.5
Total Credit to Industry	48.8	58.6
Total Bank Credit	100.0	100.0

Source : Data are based on BSR-I received in BSD, DESACS, RBI.

Table VII-21 : RATIO OF INVENTORIES TO SALES AND BANK BORROWINGS TO INVENTORIES (PUBLIC LIMITED COMPANIES IN THE PRIVATE SECTOR)

Year		Total Inventories as percentage of Sales @	Raw materials and components as percentage of total inventories	Short-term bank borrowings as percentage of total inventories	Total bank borrowings as percentage of total inventories
1		2	3	4	5
1908	Public Limited Companies +				
	1987-88	24.7	29.1	48.7	61.5
	1988-89	25.1	31.2	51.8	64.7
	1989-90	24.3	32.1	51.7	63.9
645	Large Public Limited Companies £				
	1988-89	25.5	31.9	47.2	58.8
	1989-90	24.8	32.3	46.1	56.8
	1990-91	25.5	32.4	45.2	54.6

@ Net of rebates, discounts, excise duty and cess
\+ Including small companies, each with a paid-up capital of less than Rs. 5 lakhs.
£ Each with a paid-up capital of Rs. 1 crore and above.
Source : RBI studies on company finances.

Table VII-22 : PUBLIC SECTOR BANKS' ADVANCE TO PRIORITY SECTORS
(As on the last Friday)

Sector	No. of Accounts (in '000)			Amount Outstanding (Rupees crore)		
	June 1990	June 1991	March 1992@	June 1990	June 1991	March 1992@
1	2	3	4	5	6	8
I. Agriculture	22,280	20,542	21,120	16,434	16,864	18,464
i) Direct Finance	21,548	19,972	20,628	15,283	15,782	17,620
ii) Indirect Finance	732	570	492	1,151	1,082	1,444
II. Small Scale Sector (1)	–	–	–	–	–	–
Of which						
i) Small Scale Industries	2,798	2,885	2,923	14,127	16,590	17,689
III. Other Priority Sector (2)	11,422	11,492	11,588	8,088	8,639	8,842
Total Priority Sector Advances (2)	36,500	34,919	35,631	38,649	42,093	44,995
IV. Export	–	–	–	–	–	–
Net Bank Credit	–	–	–	91,302	1,02,959	1,14,502
Percentage of Priority Sector Advances to net bank credit	–	–	–	42.3	40.9	39.3

@. Data are provisional.
– Not Available.
1. Break-up for (i) Road and water Transport Operators and (ii) Setting up of Industrial Estates is not available.
2. Break-up for constituent items not available.
3. Break-up for housing loans to SC/ST and weaker sections and for consumption loans is not available.
Source : Rural Planning and Credit Department, R.B.I.

Integrated Rural Development Programme (IRDP)

The banks assisted, during the year 1991-92, 20.06 lakh beneficiaries under the Integrated Rural Development Programme (IRDP). The loan amount disbursed amounted to Rs. 925.14 crore and an amount of Rs. 652.75 crore as subsidy was disbursed to the beneficiaries. Out of 20.06 lakh beneficiaries assisted during the year, 10.03 lakh belonged to scheduled castes/scheduled tribes and the number of women beneficiaries was 6.56 lakh.

Self-Employment Scheme for Educated Unemployed Youth (SEEUY)

The Scheme for providing Self-Employment to the Educated Unemployed Youth (SEEUY) which was introduced during the year 1983-84 was continued during the financial year 1991-92 also. Consequent upon the withdrawal of the concessive rate of interest on the loans under the above Scheme, the rate of interest is related from September 22, 1990 to the size of the loans (ranging from 10 per cent to 14 per cent) and the number of beneficiaries targeted has been halved from 2.50 lakh in the commencement of the Scheme to 1.25 lakh in 1990-91.

Number of Beneficiaries and Loans Granted under SEEUY

Year	Target Number of beneficiaries (lakh)	Achievements	
		No. of beneficiaries (Lakh)	Loans sanctioned (Rupees crore)
1983-84	2.50	2.42	401.54
1984-85	2.50	2.29	429.53
1985-86	2.50	2.21	429.99
1986-87	2.50	2.17	469.91
1987-88	1.25	1.20	259.76
1988-89	2.50	1.91	404.32
1989-90	1.25	1.07	224.81
1990-91*	1.25	1.00	220.98

* Data provisional.

Source : Ministry of Industry.

Self-Employment Programme for Urban Poor (SEPUP)

With the main objective of encouraging families living below the poverty line in metropolitan, urban and semi-urban areas to undertake self-employment venture with the help of subsidy and bank credit SEPUP was introduced by Government of India during 1986-87. The share of scheduled caste/scheduled tribe beneficiaries under the programme would be 30 per cent both in terms of number and amount. The programme was in operation during the year 1991-92, and the physical target set as before was one beneficiary for every 600 population of the centre as per 1981 census. The performance of banks is given in the table below.

Number of Beneficiaries and Loans Sanctioned under SEPUP

(Rupees in crore)

Programme	Target (No. of beneficiaries)	No. of loans sanctioned	Amount of loan sanctioned
1986-87	4.41	3.41	116.14
1987-88	4.84	3.82	136.55
1988-89	4.45	3.57	137.06
1989-90	4.78	3.56	128.25
1990-91	2.25	1.57	67.82
1991-92	2.25	0.75*	3.31*

* Figures are provisional.

The Scheme of Urban Micro Enterprises (SUME)

The Scheme of Urban Micro Enterprises (SUME) introduced from June 15, 1990 with the objective to provide employment to the urban unemployed and under-employed poor now also covers unemployed urban poor living below the poverty line (having annual family income of Rs. 118.50 and below) in metropolitan areas, cities and towns with population not exceeding 10,000 as per the 1981 Census and not covered by Integrated Rural Development Programme. The details of the Scheme have been covered in the previous year's report.

Product (Marketing) Loan Scheme

The scheme under which loans are extended to farmers by way of hypothecation of agricultural produce stored in farmers' houses or by pledge of a warehouse/rural godown receipt, introduced by the Government of India in just 14 districts

only to begin with, is now in operation in 82 districts in the country; the salient features of the scheme have been dealt in detail in the last Report.

Financial assistance to persons affected by natural calamities, riots, distrubances, etc.

There were no changes in the general guidelines issued by the Reserve Bank for relief measures by banks in areas affected by natural calamities such as floods, drought, etc. On the occurrence of natural calamity banks are expected to extend assistance to the affected borrowers as per the guidelines.

Bank assistance to Riot Affected Persons

The guidelines to banks for giving rehabilitation assistance to persons affected by natural calamities were hitherto required to be followed broadly by banks whenever so advised by Reserve Bank of India while extending rehabilitation assistance to the riot/disturbance affected persons. The procedure for extension of the guidelines has been simplified this year by delegating the power to extend the guidelines to the District Consultancy Committee/State Level Bankers' Committee concerned. This is expected to ensure quick relief to the riot affected persons.

Central Interest Subsidy Scheme for November 1984 Riot Affected Borrowers

Under the scheme, relief, in deserving cases, is extended by way of reductionof interest on bank loans to 6 per cent per annum in the case of borrrowers affected by the November 1984 riots. An amount of Rs. 16.60 crore so far released by Government of India has been disbursed to banks as interest subsidy under the scheme.

Recovery of Dues —

(i) Direct agricultural advances

The recovery of public sector banks in respect of their direct agricultural advances, which was 57.3 per cent to demand in 1988-89 (July-June), declined sharply to 48.8 per cent in the following year. But it improved significantly to 59.4 per cent during 1990-91.

Recovery of Direct Agricultural Advances (Public Sector Banks)

(Rupees crore)

Year ended June	Demand	Recoveries	Overdues	Percentage of reovery to demand
1989	5858	3355	2503	57.3
1990	6915	3371	3544	48.8
1991*	8297	4925	3372	59.4

* Data provisional.

(ii) IRDP Loans

The table below gives the position of recovery of Integrated Rural Development Programme loans of public sector banks for the period June 1989 to June 1991.

Recovery of Integrated Rural Development Programme Loans (Public Sector Banks)

(Rupees crore)

Year ended June	Demand	Recoveries	Overdues	Percentage of recovery to demand
1989	910	356	554	39.1
1990	1069	330	739	30.8
1991	1272	526	746	41.3

In respect of IRDP loans also there was an improvement in the recovery position. The recovery percentage, which drifted to 30.8 per cent in 1989-90 from 39.1 per cent in 1988-89, improved to 41.3 per cent in 1990-91.

Special Foodgrains Production Programme (SFPP)

During the year 1991-92 Special Foodgrains Production Programme of Government of India is being implemented in 131 districts of 7 States in respect of wheat and 170 districts of 13 States in respect of maize and millets. Integrated Programme for Rice Development is being implemented in 239 districts of 23 States and 1 Union Territory. The programmes aim at

increasing total foodgrains production through planning efficient and better management of critical inputs and transfer of technology through an efficient extension system. Against a target of Rs. 714.71 crore for 1990-91 under Special Foodgrains Production Programme and Integrated Programme for Rice Development, commercial banks had disbursed Rs. 546.65 crore.

Comprehensive Crop Insurance Scheme (CCIS)

The Comprehensive Crop Insurance Scheme (CCIS) introduced throughout the country from *Kharif* 1985 has been continued by the Government of India during the year 1991-92. The salient features of the scheme remained unchanged during the year under review.

Agricultural Credit Cards

The facility of agricultural credit cards is provided to farmers with good track record. It enables a card holder to secure production credit instantly and dispenses with procedural formalities (for every agricultural season) such as making an application, furnishing land records, certificates and documentation. So far 21 public sector banks have introduced the facility.

Small Farmers' Agri-Business Consortium (SFAC)

In the Budget for 1992-93, the Union Government proposed to set up a Small Farmers' Agri-business Consortium (SFAC) as an autonomous corporate entity funded by the Reserve Bank of India, National Bank for Agriculture and Rural Development and Industrial Development Bank of India. The idea is to generate income and employment in rural areas through support to various types of agri-business. Keeping this in view, stress is being laid in the Eighth Five-Year Plan on diversification of agriculture and agro-based industries to attain self-sufficiency in food production and generate surpluses for export. The aim is to lay the foundation for generating between now and the year 2000, 100 million new jobs for rural and urban poor and educated unemployed youth, generate additional agricultural income, exports and produce, sufficient foodgrains, fruits, vegetables, dairy products and fish to meet the full nutritional requirements of the population.

Agricultural and Rural Debt Relief Scheme, 1990

The salient features of the scheme were given in the previous year's Report. Provisional figures reported by public sector banks and NABARD indicate that debt relief to the extent of about Rs. 7,800 crore has been provided by banks (public sector commercial banks—Rs. 2,842 crore, Regional Rural Banks — Rs. 803 crore and Co-operatives — Rs. 4,155 crore) under this Scheme. The amount of Rs. 2,925 crore released up to June 1992 by the Government of India out of the budgetary allocations for the years 1990-91 and 1991-92 has been allocated to the three agencies — Rs. 755.04 crore to public sector commercial banks, Rs. 592 crore to Regional Rural Banks and Rs. 1,577.16 crore to co-operatives. Also loans aggregating Rs. 1604.16 crore were arranged through NABARD for meeting the State Government's share of 50 per cent in implementation of the Scheme for borrowers of co-operatives.

Composition and Ownership pattern of Bank Deposits

Data on ownership pattern of bank deposits as at the end of March 1988 and March 1990 are furnished in Table VII-23. A striking feature observed was a significant fall in the share of 'individuals' in total deposits from 75.1 per cent in 1988 to 72.8 per cent which in turn was due to a fall in the percentage share of the category of businessmen and traders, as also that of wage and salary earners; these two groups together which had accounted for 37 per cent of total deposits in 1988, had a lower share of 34.4 per cent as at the end of March 1990. The decline in the share of resident individuals may be partly attributed to the availability of alternate savings media with substantive fiscal concessions and higher interst rates. The share of non-resident individuals in total deposits rose from 6.7 per cent in 1986 to 8.3 per cent in 1988 and further to 9.2 per cent in 1990. The share of Government deposits with the banks rose to 6.8 per cent at end March 1990 from 5.2 per cent in 1988.

Reflecting the trend observed earlier, the percentage share of 'individuals' in incremental

deposits fell sharply from 83.1 per cent during 1986-88 period to 67.3 per cent in 1988-90. The share of the rest of the sectors registered a rise during this period. (Table VII-24).

Geographical and Functional Coverage of Banks Branch Licensing Policy

The validity period of the licences issued under the Branch Licensing Policy 1985-90 in rural/semi-urban areas, which could not be utilised on or before March 31, 1990, was extended up to March 31, 1991 and subsequently up to March 31, 1992 to enable banks to completely utilise their pending licences. By March 31, 1991 banks had opened branches at 6,289 rural/semi-urban centres, out of 6,814 rural/semi-urban centres allotted to them. Out of the 635 urban/metropolitan/port town centres allotted, banks had opened branches at 623 centres by March 31, 1992. In order to facilitate opening of branches at 525 rural/semi-urban centres for which licences were pending with banks, the validity period of the licences was extended upto March 31, 1993.

As per the Government of India's 15-point programme for the benefit of minorities, based on the list of identified centres in the districts (identified by the Government of India), the Reserve Bank had allotted 67 eligible centres to commercial banks for opening of branches to facilitate extension of banking facilities to the minorities; the banks have so far opened their branches at 46 centres and the progress in this regard is regularly monitored by the Reserve Bank.

In terms of the Approach to Future Branch Expansion, banks were advised to forward applications for opening their branches in rural areas, which are under their Service Area, through concerned State Governments, after obtaining approval from concerned district administration, 264 rural centres were allotted to eligible banks during the year under review.

On the basis of the list of unbanked/underbanked localities in urban/metropolitan/port town centres identified by the Working Group constituted at Regional Offices of the Reserve Bank, 993 unbanked/underbanked localities were allotted to commercial banks taking into consideration the order of priority indicated by banks. As regards semi-urban centres, a large number of applications were received from banks for opening branches at such centres; but no allotment was made pending the examination of the Narasimham Committee recommendations.

The Narasimham Committee *inter alia* recommended that the system of branch licensing be abolished; Indian commercial banks should be given full freedom to open or close branches (other than rural branches) for the present, or swap their rural branches with those of other banks on the basis of their commercial budgement. Taking into consideratior the suggestions received from banks as also the Narasimham Committee's recommendations and in the context of the recent steps towards deregulation and the changed banking scenario in the country, the question of delegating more powers to banks in the matter of opening of branches, etc., was examined by the Reserve Bank. Having broadly achieved the objective of providing adequate banking infrastructure throughout the country, particularly in rural areas, it has been decided to give greater freedom to banks to rationalise their existing branch network by relocating branches, opening of specialised branches, spinning off a business, setting up of controlling offices/administrative units and opening of extension counters. The details of the guidelines are given in the Reserve Bank's Report on Trend and Progress of Banking in India, 1991-92.

Branch Expansion

The number of commercial bank branches as at the end of March 1992 stood at 60,528 as compared with 8,262 branches in June 1969. The number of branches opened in unbanked centres during the period July 1991 to March 1992 was 71 taking the total number of branches opened in unbnked centres since nationalisation to 34,535 — which accounted for 66.2 per cent of the total number of branches of 52,207 opened in the said period. (Table VII-25). Out of these 71 branches opened in the unbanked centres, the Central Region accounted for the highest number of branches followed by the Eastern Region. The average population per bank office improved in the States of Manipur, Meghalaya and Union

Table VII- 23 : OWNERSHIP PATTERN OF BANK DEPOSITS
(As on the last Friday of March)

(Per cent)

	Sector	1988	1990
	1	2	3
1.	Government	5.2	6.8
2.	Corporate Sector-Non Financial	6.0	6.1
3.	Corporate Sector-Financial	5.3	6.3
	Of which :		
	Banks	3.0	3.7
4.	Other Institutions	8.4	8.0
5.	Individuals including Hindu Undivided Families	75.1	72.8
	a) Non-Residents	8.3	9.2
	b) Residents	66.8	63.6
	i) Farmers	11.7	12.0
	ii) Businessmen and Traders	18.7	17.8
	iii) Wage & Salary Earners	18.3	16.6
	iv) Others (Not elsewhere Classified)	18.1	17.2
	Total	**100.0**	**100.0**

Source : BSR-4 Survey, in BSD, DESACS, RBI.

Table VII-24 : RELATIVE SHARE IN INCREMENTAL DEPOSITS
(As on the last Friday of March)

(Per cent)

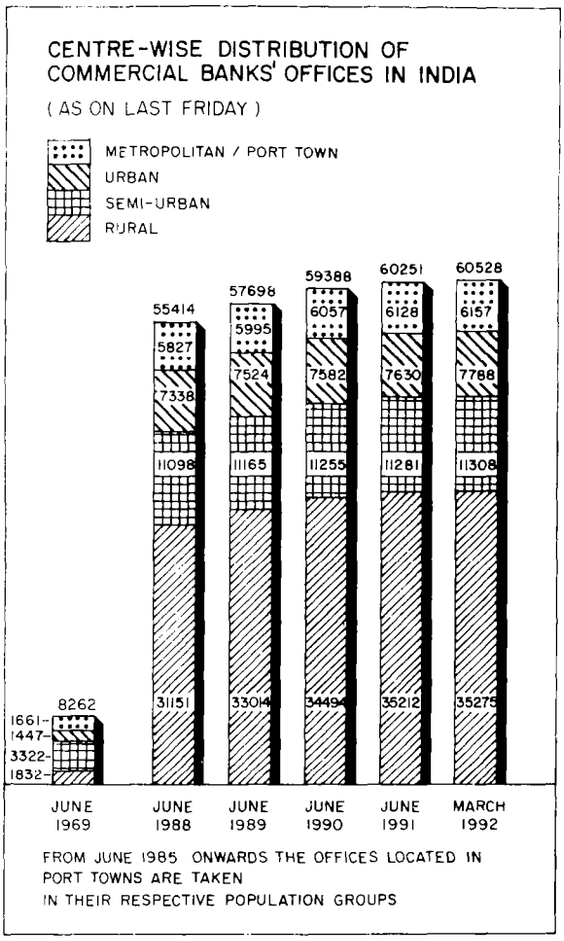
	Sector	1986-88	1988-90
	1	2	3
1.	Government	2.4	10.5
2.	Corporate Sector-Non Financial	4.7	6.7
3.	Corporate Sector-Financial	3.4	8.7
4.	Other Institutions	6.4	6.8
5.	Individuals	83.1	67.3
	(Of which: Non-Residents)	(12.3)	(11.3)
	Total	**100.0**	**100.0**
	Incremental Deposits (Rs. Crore)	35,174	51,850

Source : BSR-4 Survey, in BSD, DESACS, RBI.

Table VII-25 : STATE-WISE DISTRIBUTION OF COMMERCIAL BANK BRANCHES AND POPULATION PER BANK OFFICE AS AT THE END OF JUNE 1969, JUNE 1991 AND MARCH 1992

State/Union Territory	No of branches at the end of			No. of branches opened during				Average population per office (in thousands) as at the end of		
	June 1969	June 1991	March 1992	July 90-June 91	Of which at un-banked centres	July 91-March 1992	Of which at un-banked centres	June 1969	June 1991	March 1992
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	567	4,585	4,620	23	16	35	3	75	12	12
Arunachal Pradesh	–	68	68	1	1	–	–	–	9	9
Assam	74	1,211	1,218	17	16	7	3	198	16	16
Bihar	273	4,350	4,862	85	85	12	2	207	14	14
Goa	85 *	256	256	–	–	–	–	8	4	4
Gujarat	752	3,365	3,374	11	8	9	1	34	10	10
Haryana	172	1,262	1,269	6	3	7	–	57	10	10
Himachal Pradesh	42	732	735	10	10	3	2	80	6	6
Jammu & Kashmir	35	775	783	8	8	8	6	114	8	8
Karnataka	756	4,266	4,281	31	26	15	6	38	9	9
Kerala	601	2,831	2,842	3	3	11	3	35	9	9
Madhya Pradesh	343	4,329	4,358	12	11	29	8	116	12	12
Maharashtra	1,118	5,580	5,596	37	13	16	4	44	11	11
Manipur	2	84	85	3	3	1	1	497	17	16
Meghalaya	7	165	173	10	10	8	7	147	9	8
Mizoram	–	74	75	3	3	1	1	–	7	7
Nagaland	2	70	70	–	–	–	–	205	11	11
Orissa	100	2,081	2,098	25	24	17	3	212	13	13
Punjab	346	2,138	2,140	4	3	2	1	42	8	8
Rajasthan	364	3,044	3,058	5	3	14	2	70	11	11
Sikkim	–	28	29	–	–	1	1	–	11	11
Tamil Nadu	1,060	4,283	4,299	10	8	16	1	37	11	11
Tripura	5	176	178	4	4	2	1	276	12	12
Uttar Pradesh	747	8,456	8,499	69	65	43	7	119	13	13
West Bengal	504	4,195	4,208	39	36	13	5	87	13	13
Andaman and Nicobar Islands	1	21	26	–	–	5	3	82	9	7
Chandigarh	20	109	109	1	–	–	–	7	4	4
Dadra and Nagar Haveli	–	7	7	–	–	–	–	–	15	15
Daman & Diu	–	10	10	–	–	–	–	–	8	8
Delhi	274	1,123	1,125	6	–	2	–	20	6	6
Lakshadweep	–	8	8	–	–	–	–	–	5	5
Pondicherry	12	69	69	–	–	–	–	31	9	9
Total	8,262	60,251	60,528	423	359	277	71	65	11	11

* Includes Daman & Diu.



Territory of Andaman and Nicobar Islands; the national average, however, remained unchanged at 11,000, despite achieving a major breakthrough in the spread of bank branches, inter-State disparities continue to persist particularly in the Eastern, North-Eastern and Central Regions. The number of branches opened at rural centres during the period July 1991 to March 1992 was 71.

Of the total number of 60,528 branches at end-March 1992, rural branches accounted for 58.3 per cent as against 22.3 per cent in July 1969 (see Table VII-26). For State Bank of India, rural branches formed 51.6 per cent of its total branches and in respect of Associate Banks of State Bank of India they accounted for 40 per cent and for the nationalised banks they were 49.2 per cent as indicated in Table VII-26.

Indian Banks Abroad

During the year 1991-92, no new branches were opened abroad by Indian banks. The total number of Indian banks' (8 public sector and 1 private sector) branches operating abroad has remained same at 115. The number of representative offices also remained at 11 (Table VII-27).

Foreign Banks in India

During the year under review, ABN AMRO Bank opened a branch in New Delhi and BNP (Banque Nationale de Paris) closed down two of its branches at Bombay and Calcutta. Thus, the number of branches of 24 foreign banks stands reduced to 139 as at the end of June 1992 (including the branch of BCCI (O) Ltd., whose operations have been suspended since July 1991 and its affairs are being looked after by a provisional liquidator).

The name of Mitsui Taiyo Kobe Bank Ltd., having a branch in Bombay has been changed to Sakura Bank Ltd., with effect from April 1, 1992. Although eight existing foreign banks have been permitted to open a branch each at different centres, licences to open a branch at Madras and Bangalore have so far been issued to two banks.

The number of representative offices of 20 foreign banks has increased from 23 to 24 during the year with opening of the representative office each of Credit Lyonnais and Barclays Bank Ltd., in New Delhi and the closure of the representative office of Amsterdam Rotterdam N. v. at Bombay. The Manufacturers Hanover Trust Co. Ltd., which has a representative office inBombay has since been merged with Chemical bank with effect from June 22, 1992 and the name changed to Cehmical Bank.

There has been no change in the position of tie-up arrangements of foreign banks with Indian financial companies/firms.

In the credit policy announcement of April 21, 1992, in tune with the spirit of deregulation and greater openness of the economy and consistently

Table VII-26 : Bank-Group-wise/Population-Group-wise distribution of commercial bank branches in india

Bank Group	19th July 1969*					30th June 1991 @@					31st March 1992@@				
	Rural	Semi-Urban	Urban	Metro-politan/ Port Town	Total	Rural	Semi-Urban	Urban	Metro-politan/ Port Town	Total	Rural	Semi-Urban	Urban	Metro-politan/ Port Town	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
State Bank of India	462	797	163	150	1,571	4,386	2,177	1'128	816	8,507	4,417	2,183	1,147	816	8,563
	(29.4)	(50.7)	(10.4)	(9.5)	(100.0)	(51.5)	(25.6)	(13.3)	(9.6)	(100.0)	(51.6)	(25.5)	(13.4)	(9.5)	(100.0)
Associate Banks of SBI	358	375	86	75	894	1,508	1,190	594	416	3,708	1,506	1,194	627	425	3,752
	(40.0)	(42.0)	(9.6)	(8.4)	(100.0)	(40.7)	(32.1)	(16.0)	(11.2)	(100.0)	(40.2)	(31.8)	(16.7)	(11.3)	(100.0)
Nationalised Banks	703	1,465	928	1,072	4,168@	14,589	5,732	4,999	4,214	29,534	14,612	5,747	5,089	4,233	29,681
	(16.9)	(35.1)	(22.3)	(25.7)	(100.0)	(49.4)	(19.4)	(16.9)	(14.3)	(100.0)	(49.2)	(19.4)	(17.1)	(14.3)	(100.0)
Regional Rural Banks	–	–	–	–	–	13,449	921	146	4	14,520	13,453	921	147	4	14,525
						(92.6)	(6.4)	(1.0)	(–)	(100.0)	(92.6)	(6.4)	(1.0)	(–)	(100.0)
Other Commercial Banks	337	708	279	364	1,688	1,280	1,261	763	678	3,982	1,287	1,263	778	679	4,007
	(20.0)	(41.9)	(16.5)	(21.6)	(100.0)	(32.1)	(31.7)	(19.2)	(17.0)	(100.0)	(32.1)	(31.5)	(19.4)	(17.0)	(100.0)
Total :	1,860	3,344	1,456	1,661	8,321	35,212	11,281	7,630	6,128	60,251	35,275	11,308	7,788	6,157	60,528
	(22.5)	(40.2)	(17.5)	(20.0)	(100.0)	(58.4)	(18.7)	(12.7)	(10.2)	(100.0)	(58.3)	(18.7)	(12.9)	(10.1)	(100.0)

* Population Group-wise classification as per 1961 census.

@@ Population Group-wise classification as per 1981 census.

@ Pertains to 14 Nationalised Banks.

Note: Figures in brackets indicate percentage to total in each group.

Table VII-27 : OFFICES OF INDIAN SCHEDULED COMMERCIAL BANKS OUTSIDE INDIA
(As on end-March 1992)

Name of Country	State Bank of India	Bank of India	Bank of Baroda	Indian Overseas Bank	Indian Bank	UCO Bank	Canara Bank	Syndicate Bank	Bharat Overseas Bank	Total
1	2	3	4	5	6	7	8	9	10	11
Sri Lanka	2	–	–	2	2	–	–	–	–	6
United Kingdom	5	13	11	–	–	2	1	1	–	33
United States of America	4	2	1	–	–	–	– –	–	–	7
Japan	2	2	–	–	–	–	– –	–	–	4
Maldive Islands	1	–	–	–	–	– –	–	–	–	1
West Germany	1	–	–	–	–	– –	–	–	–	1
Bangladesh	1	–	–	–	–	– –	–	–	–	1
Bahama Islands	1	–	1	–	–	–	– –	–	–	2
Bahrain	1	–	1	–	–	–	–	–	–	2
Belgium	1	–	1	–	–		–	–	–	2
Singapore	1	1	–	1	1	3	–	–	–	7
Hongkong	1	2	–	2	–	2	–	–	–	7
Cayman Islands	–	1	–	–	–	–	–	–	–	1
Panama	1	–	–	–	–	–	–	–	–	1
France	1	1	–	–	–	–	–	–	–	2
Channel Islands	–	1	–	–	–	–	–	–	–	1
Fiji Islands	–	–	9	–	–	–	–	–	–	9
Guyana	–	–	1	–	–	–	–	–	–	1
Kenya	–	2	6	–	–	–	–	–	–	8
Mauritius	–	–	7	–	–	–	–	–	–	7
Dubai	–	–	6	–	–	–	–	–	–	6
Seychelles	–	–	1	–	–	–	–	–	–	1
South Korea	–	–	–	1	–	–	–	–	–	1
Thailand	–	–	–	–	–	–	–	–	1	1
Oman	–	–	3	–	–	–	–	–	–	3
Total	**23**	**25**	**48**	**6**	**3**	**7**	**1**	**1**	**1**	**115**

Source : Department of Banking Operations and Development, RBI.

with the recommendations of the Narasimham Committee, it was stated that expansion of branches of foreign banks will be based as hitherto, on considerations of national advantage, from the point of view of facilitating exports and foreign investment. Principles of non-discriminatory reciprocal treatment and mutual benefits, besides compliance with prudential and other norms, will be given due weightage.

Primary (Urban) Co-operative Banks (PCBs) — Progress*

The number of Primary (Urban) Co-operative Banks (PCBs) in the country as at the end of June 1992 at 1,401 showed a marginal increase as compared with 1,397 as at the end of June 1991. This included 92 salary earners' banks, 40 Mahila banks and 51 banks under liquidation. The number of offices of PCBs increased from 3,433 at the end of June 1991 to 3,450 as on December 31, 1991 (Provisional). The total deposits of PCBs rose from Rs. 10,157 crore as at the end of June 1991 to Rs. 10,590 crore as on December 27, 1991 indicating an increase of 4.3 per cent over June 1991. Loans outstanding of PCBs increased from Rs. 8,003 crore as at the end of June 1991 to Rs. 8,314 crore as on December 27, 1991 or by 3.9 per cent. The owned funds of PCBs rose by 12.4 per cent during the period June 1991 to December, 1991.

Licensing and Inspection

Licences for new PCBs are generally issued only if they are set up in the areas presently devoid of banking facilities. Proposals for setting up of banks for women (Mahila banks) and weaker sections are, however, given sympathetic considerations provided proposed banks are potentially viable. During the period under review, (end-June 1991 to end-June 1992), 7 new PCBs and 5 existing primary co-operative banks were issued licences to commence banking business. Thus, total number of licensed PCBs stood at 1,039 at end-June 1992 as against 1,028 at end-June 1991. Besides, 7 urban co-operative banks were allowed to open 7 extension counters to transact banking business.

During July-June 1991-92, statutory inspections of 506 PCBs were undertaken under Section 35 of Banking Regulation Act, 1949.

Refinance Facilities

During the period under review (July, 1991 to June, 1992), short-term credit limits aggregating Rs. 10.76 crore were sanctioned to State Co-Operative Banks on behalf of 21 PCBs (as against Rs. 18.33 crore sanctioned to 37 PCBs in the previous year) for financing of other cottage and small and tiny industrial units at concessional rate of interest. The outstandings of these limits amounted to Rs. 8.68 crore as on June 30, 1992 as against Rs. 14.83 crore on the same date last year.

Priority Sector Lending

PCBs are required to attain a priority sector lending of 60 per cent of their total advnces outstanding, of which, at least 25 per cent should be advanced to the weaker sections. As at the end of June 1992, out of 722 PCBs, 493 had achieved the target of 60 per cent.

Weak and Non-viable Banks

Weak and non-viable PCBs numbered 220 as on June 30, 1992 as against 230 as on the same date last year. While 3 PCBs were under directions as per Section 35A of the Banking Regulation Act, 1949 (as applicable to co-operative societies), two banks already under directions were given relaxation due to improvement in their working. Total number of PCBs currently under directions are 11.

During the year, following policy decisions in regard to PCBs were taken by the Reserve Bank:

(a) the accounting year of the Urban Co-operative Banks has been changed after due amendment to the Banking Regulation Act, 1949 (As applicable to co-operative societies), as April 1 to March 31, instead of July 1 to June 30.

(b) The limit on unsecured advances granted for 'other purposes' have been enhanced

* The accounting year for urban co-operative banks has since been changed to financial year (i. e., April 1 to March 31). The material/data in this chapter, therefore, covers the period from June 1991 to March 1992, unless stated otherwise.

from Rs. 5,000 to Rs. 10,000 with effect from January 13, 1992.

(c) In terms of Section 86 of the Chit Fund Act, 1992, banks including co-operative banks have been prohibited from Chit Fund business.

(d) It has also been decided to withdraw, with effect from April 22, 1992, the restriction on primary (urban) co-operative banks' credit to the following sectors viz., (1) loans for purchases of consumer durables and (2) other non-priority sector personal loans.

(e) Banks have been advised to continue to ensure that there is no increase in credit outstanding to individuals against shares and debentures/bonds. Furthermore, effective April 22, 1992, loans to individuals against shares and debentures/ bonds would be subject to a minimum margin of 75 per cent. However, it may also be added that the restrictions relating to real estate loans will continue to remain in force.

(f) Primary (urban) co-operative banks are advised to use utmost discretion in offering deposit rates on various maturities within the cap of 13.0 per cent per annum. The deposit rates offered for various maturities need to be based on the cost of funds, return on funds and the inter bank borowing/lending status of individual banks. At any point of time, individual banks have to adopt uniform rates at all their branches and for all customers.While PCBs are free to determine the maturities and deposit rates, they would be requied to prescribe a minimum of three maurities of their choice and the rates for each maturity should have an interest rate differential between any two successive maturity slabs of at least 0.25 percentage point.

(g) The changes in the selective credit controls announced in the case of scheduled commercial banks, with effect from April 22, 1992, in respect of reference period, level of credit ceilings for paddy/rice and wheat and minimum margins for cotton and *kapas* will *ipso facto be* applicable in the case of primary (urban) co-operative banks also.

Further, the agricultural credit policies formulated by the Reserve Bank and NABARD continued to provide institutional support to farmers, with focus on small and marginal farmers and on special programmes such as the National Oilseeds Development Programme and the Oilseeds Production Project and Produce (Marketing) Loan Scheme. NABARD, as an apex bank dispensing credit to rural areas, continued to align its policies and procedures to ensure expansion in the flow of credit and strengthen and consolidate the co-operative credit structure. Its major policy initiatives included democratisation and professionalisation of the co-operative credit institutions, removal of imbalances in the co-operative credit structure, strengthening of recovery performance of DCCBs and special package programmes for DCCBs having critical financial position, and 12 point rehabilitation programme for weak co-operative banks in certain states, etc.

The two primary (urban) co-operative banks which are Authorised Dealers in foreign exchnge were advised on the lines of the instructions issued to scheduled commercial banks dated 11 and 13 June 1992 regarding the newly formulated Non-resident (Non-repatriable) Rupee Deposits Scheme and the liberalisations in the Foreign Currency (Ordinary non-repatriable) Deposit Scheme, respectively.

Interest Rates Revision

In alignment with the periodical changes effected in respect of interest rates on advances and deposits of commercial banks, the interest rates on advances and deposits of state and central co-operative banks and primary co-operative banks were also correspondingly reviewed.

With effect from April 24, 1992 the lending rates and the deposit rates of primary (urban) co-operative banks and primary co-operative banks were also correspondingly reviewed.

With effect from April 24, 1992 the lending rates and the deposit rates of primary (urban) co-opertive banks were revised which are as follows: (1) the existing five slabs according to the size of advances for the purpose of rate of interest were reduced to four. The lending rates for category 'A' general rate for term loans or working capital loans were fixed at 16.0-17.5 per cent per annum for amounts upto Rs. 2 lakh and at 19 per cent (minimum) per annum in case of loans of over Rs. 2 lakh. Similarly, in respect of category 'B', the rate of interest was fixed at 15.0 to 16.5 per cent per annum for amounts up to Rs. 2 lakh and in the case of loans of over Rs. 2 lakh the rate of interest was fixed at 17 per cent (minimum) per annum.

With effect from April 24, 1992, the deposit rates for maturity of 46 days to 3 years and above were revised with a single prescription of "not exceeding 13 per cent" per annum. For both the PCBs (Scheduled and non-scheduled), the discretion of additional interest not exceeding 0.5 percentage point per annum has been prescribed as indicated in the tables on page 174.

Committee on Licensing of New Urban Co-opertive Banks

In September 1991, the Reserve Bank of India set up a Committee under the chairmanship of Shri S. S. Marathe, Director, Central Board of the RBI to review the policy related to the licensing of new urban co-operative banks and other related matters. In its report submitted to the Governor on May 20, 1992 the Committee has made far reaching recommendations for removing policy induced regidities which have impeded the growth of the urban co-operative banking system.

The Committee's recommendations are in consonance with the initiatives recently taken by the Government and the Reserve Bank of India for liberalisation of the financial services sector. In the emerging competitive environment, urban co-operative banks will have to depend on improved productivity, efficiency and profitability in addition to their social responsibilities. While recommending liberalisation in the policy relating to organisation of new urban co-operative banks, the Committee has suggested increased pre-registration entry point criteria relating to initial share capital and has made further growth contingent upon achievement of revised norms of viability within 3 to 5 years. Existing banks will also have to achieve the same norms.

In order to iron out the regional imbalances and open avenues for organisation of such banks in the co-operatively less developed areas, the Committee has recommended relaxations in the entry point norms and elongated time-frame schedule for achieving the inability standards for banks organised in the least and less developed states and tribal areas. The Committee has simultaneously recommended upward revision of existing norms relating to the scheduling of urban co-op. banks in the light of various factors including the revised entry point norms and standards of inability for urban banks.

Addressing itself to the question of primary credit societies seeking to attain the status of primary urban co-operative banks, the committee has recommended consideration of such societies, as will attain the revised entry point norms by 30th June 1993, for inclusion in the list of primary urban co-operative banks by the Reserve Bank of India.

The Committee has recommended some relaxations in the norms for licensing of existing unlicensed urban co-operative banks. The Committee has also favoured the urban co-operative banks in metropolitan areas to operate in the contiguous urban agglomeration areas thereto. Similarly, such of the banks as are registered in urban/semi urban centres may be allowed to cover peripheral/rural areas thereto and allowed to finance non-agricultural activities threat. No change in the existing branch licensing policy is contemplated. The Committee, however, has recommended that unless there are overwhelming reasons to the contrary, an application for issue of a branch licence need not be rejected.

Noting with concern the incidence of weakness in the urban co-operative banking system, the committee has proposed that the future of weak banks which have been under programme of rehabilitation etc. for a long period beyond the stipulated time-frame, may be determind by way of merger, amalgamations etc. It has also

Lending Rates

Size of advance	Category A	Category B
	General rate for term loans or working capital loans (Percentage per annum)	Concessional rate for term loans to SSI and small road and water transport operators and professionals, self-employed in the priority sector (Percentage per annum)
a) Upto and inclusive of Rs. 10,000/-	16.0	15.0
b) Over Rs. 10,000/- and upto Rs. 25,000/-	16.5	15.5
c) Over Rs. 25,000/- and upto Rs. 2 lakhs	17.5	16.5
d) Over Rs. 2 lakhs	19.0 (minimum)	17.0 (minimum)

Interest on Deposits

(Per cent per annum)

Category of Account	Exsiting rates (effective Oct. 9, 1991)	New rates (effective April 22, 1992)
Current	Not exceeding 0.5	Not exceeding 0.5
Savings	5.0	6.0* (Effective April 24, 1992)
Term Deposits		
a) 46 days to less than one year	11.0	
b) One year to less than three years	12.0	Not exceeding 13.0*
c) Three years and over	13.0	

**Notes :* Primary (Urban) Co-operative banks have the discretion to pay additional interest not exceeding 1 per cent per annum on savings bank account and not exceeding 0.5 per cent per annum on term deposits.

suggested legislative amendments enabling Reserve Bank of India to take action directly in this regard. Similarly, the Committee has suggested a through on-going review of the Co-operative Societies Act, particularly with reference to the urban co-operative banks.

A proactive aproach to weakness in banks has been proposed through the organisation of a comprehensive data base which could generate early warning signals and facilitate timely and selective intervention by the Reserve Bank of India to arrest the trend.

The report is being examined by the Department for implementation.

Table VII- 28 : Progress of Primary (Urban) Co-operative Banks

	Co-operative Year (April-March)@			
	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5
No. of PCB*	1,378	1,390	1,397	1,401 £
	(92)	(92)	(92)	(92)
No. of Offices of PCB*	3,279	3,358	3,433	3,450+
	(258)	(260)	(261)	(271)
Deposits (Rs. crore)	7,232	8,660	10,157	10,590 $
Loans Outstanding (Rs. crore)	5,820	6,649	8,003	8,314 $

£ : As on 30-6-92

* : Figures for Salary Earners' Banks are indicated in brackets

$: Data pertains to Dec. 27, 1991.

@ : The accounting year for Urban Co-operative Banks has been changed from July-June to April-March.

\+ : As on 31-12-91.

Source : Reserve Bank of India.

Regional Rural Banks—Branch Expansion Programme

The Branch Licensing Policy for the year 1985-90 *inter alia* envisaged population coverage of 17,000 per bank office in rural/semi-urban areas in each block. Having achieved this objective and having established an impressive network of 60,000 branches, it has been decided that the phase of consolidation should continue with the emphasis on all out efforts to improve operational efficiency, quality of assets and financial strength of banks and any future growth of bank offices will depend on well-establihsed need, business potential and financial viability of the proposed offices.

Opening of new branches will be considered on merits of each case specially looking into the viability of such branches, the service area appraoch to rural lending and the existing number of branches of the RRBs.

Progress of RRBs

During the financial year 1991-92 (upto September 1991), while the number of RRBs remained unchanged at 196, the total number of districts covered by RRBs increased to 385 as compared with 380 in the preceding year. As at the end of September 1991, RRBs had 14,531 branches. State-wise, Uttar Pradesh had the largest number of RRB branches (3,055), followed by Bihar (1,892), and Madhya Pradesh (1,599) (Table VII-29). The number of RRB branches ranged between 1,125 and 819 in the case of Andhra Pradesh, Karnataka, Rajasthan, Orissa and West Bengal and between 590 and 201 in the case of Assam, Gujarat, Haryana, Jammu and Kashmir, Kerala, Tamil Nadu, Maharashtra and Punjab; the remaining 10 States had less than 200 branches each.

The aggregate deposits of the 196 RRBs placed at Rs. 5,141 crore registered an increase of 17 per cent during the period end-September 1991 to end-September 1992. On the other hand, the outstanding advances rose by 7 per cent to Rs. 3,804 crore during this period. There has not been any marked change in the distribution pattern of these advances as compared to previous year. There has been a fall in the advances extended for three purposes, i.e., allied activities, consumption loan and indirect advances. The lower increase in aggregate advances of RRBs reflects the overall deceleration in bank credit and the fall in consumption loan and indirect advances may be attributed to the large scale demand recession prevailing in the system. During the half-year end period April 1991 to September 1991 RRBs disbursed a sum of Rs. 783 crore to 17.36 lakh beneficiaries of which Rs. 212 crore were disbursed under the Government sponsored programmes like IRDP, DRI, etc.

Table VII-29: STATE-WISE BRANCHES OF REGIONAL RURAL BANKS
(As at the end of September 1991)

State	No. of RRBs	No. of districts covered	No. of branches
1	2	3	4
Arunachal Pradesh	1	4	19
Andhra Pradesh	16	23	1,125
Assam	5	23	402
Bihar	22	42	1,,892
Gujarat	9	17	430
Haryana	4	14	219
Himachal Pradesh	2	4	129
Jammu and Kashmir	3	12	268
Karnataka	13	20	1,075
Kerala	2	6	269
Madhya Pradesh	24	43	1,599
Maharashtra	10	17	590
Manipur	1	8	29
Meghalaya	1	3	50
Nagaland	1	7	8
Orissa	9	13	819
Punjab	5	10	201
Rajasthan	14	28	1,068
Tamil Nadu	3	7	208
Tripura	1	3	90
Uttar Pradesh	40	60	3,055
West Bengal	9	18	864
Total	**196**	**385**	**14,513**

Refinance from NABARD

Details of NABARD's short-term credit limits to 137 RRBs sanctioned in the year 1991-92 (April-March) are as follows:

NABARD Credit Limits for RRBs

		(Rs. crore)
1.	Short-term (for seasonal agricultural operations)	335.72
2.	Short-term (other than seasonal agricultural operations)	117.22
3.	Oil Production Programme	31.60
	Total	**484.54**

During 1991-92 (April-March), NABARD sanctioned medium-term (Non-schematic) credit limits of Rs. 72 crore to 102 RRBs. In the previous year, similar limits sanctioned to 116 RRBs were Rs. 89 crore. The outstandings against these limits at the end of March 1992 rose marginally to Rs. 246 crore as compared to Rs. 241 crore in the previous year. In addition, NABARD had sanctioned medium-term (conversion) loan of Rs. 0.34 crore during 1991-92 and the outstandings under medium-term (conversion) loan stood at Rs. 6.53 crore at the end of March 1992. Over and above these limits, the RRBs were also provided with schematic refinance by NABARD.

Refinance from Sponsor Banks and other Institutions

Upto September 1991, the refinance availed of by RRBs from their respective sponsor banks was Rs. 305 crore which was slightly less than Rs. 328 crore availed at the end of September 1990. The refinance availed of by RRBs from IDBI was Rs. 23 crore as against Rs. 20 crore availed in the previous year.

R & D Fund

RRBs are eligible for assistance from the NABARD's R & D Fund for setting up technical cells for preparation and evaluation of schemes under project lending. In this year more number

of RRBs — as many as 96 — availed of these facilities as compared with 87 RRBs in the previous year.

Working of Various Schemes

The following paragraphs present a synoptic review of several schemes in respect of which banks were directed to pay special attention.

Credit Monitoring Arrangement (CMA)

Under the Credit Monitoring Arrangement (CMA) which has been in operation since October 10, 1988, the banks have been authorised to sanction credit proposals of large borrowers with a requirement that the proposals be submitted to the Reserve Bank for post-sanction scrutiny. Considering the responsibility vested with the banks to purvey need-based credit to industry and trade, particularly in the context of the decision of the Reserve Bank of India to subject loan proposals received from banks to a percentage scrutiny from January 8, 1991, banks were once again advised on January 16, 1992, to gear up their organisational and administrative machinery to ensure total compliance in implementing the basic financial discipline. The total number of proposals received from post-sanction scrutiny under CMA increased to 2,921 as at the end of December 1991, from 2,135 at the end-December 1990. Total credit limits in force as at the end of December 1991 (including term finance and issue of guarantee on sale of machinery on deferred payment basis) relating to these parties were Rs. 42,416 crore as against Rs. 37,257 crore as at the end of December 1990, of which share of public sector undertakings was Rs. 19,677 crore (46.4 per cent).

The facility-wise distribution of total limits at the end of December 1991, was 91.4 per cent for working capital purposes (including packing credit, inland and foreign bills), 8.0 per cent for term finance and 0.6 per cent for sale of machinery on deferred payment basis.

Occupation-wise distribution of total working capital limits in force at Rs. 38,768 crore as at the end of December 1991 suggests that the share of industry at 70.9 per cent was the largest share followed by trade accounting for 24.8 per cent. Within the 'industry group,' the shares of engineering, chemicals and chemical products and cotton textiles were 24.7 per cent, 18.9 per cent and 7.8 per cent, respectively. The share of industry in the total working capital limits of public sector borrowers was 49.4 per cent while that of trade was 46.9 per cent and food procurement accounted for 32.7 per cent.

The proposals received for post-sanction scrutiny under CMA during the period January 1991 to December 1991 were 786 (including 106 from public sector) borrowers involving an amount Rs. 5,160 crore (including Rs. 1,220 crore for public sector).

Group Approach

The number of instances of defaults/serious irregularities in the accounts of some of the large borrowers belonging to certain industrial groups has been increasing. These defaults have resulted in the locking up of substantial funds of banks/financial institutions in non-performing assets, which, in turn, has put a severe strain on their profitability. Against this background, a new concept known as 'Group Approach' has been evolved to ensure that the defaulting promoter groups/companies are not allowed further finance from banks/financial institutions to implement new projects and/or expansion of their existing activities unless they come to terms with banks/financial institutions to settle their dues at least within a reasonable time-frame.

With a view to monitoring credit extended by banks/financial institutions to borrowers belonging to large industrial groups, a system of submission of the relevant data by them to the Reserve Bank at half-yearly intervals has been introduced.

Housing Finance

As a sequel to extending support to the national policy of creating additional housing facilities, the scheduled commercial banks have been advised to continue computing their share of housing finance allocation for the year, 1991-92, at 1.5 per cent of their respective incremental deposits as at the end of March 1991, over the corresponding figure as at the end of March 1990. To ensure that the bank finance for housing flows to all the

needy segments of the society, it has been stipulated that 30 per cent of the total allocation for housing would be by way of direct lending of which at least half was to be extended as direct housing loans in rural and semi-urban areas. Further 30 per cent of the allocation was required to be utilized by way of term loans to housing finance companies, housing boards and other public housing agencies. The balance 40 per cent of the allocation was to be provided in the form of subscription to guaranteed bonds and debentures of National Housing Bank and Housing and Urban Development Corporation only. Banks, however, may exceed their individual housing finance targets to a reasonable level having regard to their resources postion and compliance with the statutory reserve requirements.

Housing finance is subject to the usual lending rates of banks except in the case of finance to intermediary lending agencies which are provided funds at 3 per cent points below the minimum rate applicable for credit limits in the category of over Rs. 2 lakhs. Loans upto Rs. 5000/- to SC/ST beneficiaries continued to be at 4 per cent interest per annum, but effective May 14, 1991, these loans would be covered under DRI Scheme, subject to such beneficiaries fulfilling the income criterion under the Scheme.

Keeping in view the overall restrictive credit policy for the year, banks were advised to ensure that speculative activities in land deals were not supported by the banking system and that there was no increase in the credit outstanding for 'Real Estate' purposes. The loans provided by banks under their housing finance targets for the year, 1991-92, were, however, exempt from this restriction.

National Housing Bank (NHB)

The National Housing Bank (NHB) was notified by the Government of India on July 26, 1991 as a 'public financial institution.' This move enabled the NHB to diversify its activities towards effective mobilistion of resources. A Board of Directors of the NHB was constituted under a notification issued by the Central Government on April 3, 1992. The share capital of the NHB was raised in March 1992 by Rs. 50 crore to Rs. 250 crore. During the year under reveiw the Reserve Bank advanced to NHB a loan of Rs. 50 crore out of the National Housing Credit (Long term Operations) Fund raising the total loans advanced out of the Fund to Rs. 175 crore.

Capital Gains Bonds Scheme

Mention was made in the last year's Report about the Capital Bonds Scheme launched by the NHB in July 1990. The total amount raised under the scheme as at the end of April 1992 was of the order of Rs. 141 crore. The scheme had provided for under Section 54 (e) of the Income-Tax Act, 1961, 100 per cent tax exemption on capital gains arising out of sale/transfer of long-term capital assets like land, building, shares and securities etc. However, under the Finance Act, 1992, the exemption available under the Section 54(e) has since been withdrawn. The long-term capital assets sold after March 31, 1992 will not qualify for this benefit.

National Housing Bank (Voluntary Deposits) Scheme 1991

An important development in the activities of the NHB during the year was the launching of a new scheme on October 1, 1991 called the National Housing Bank (Voluntary Deposits) Scheme under the Voluntary Deposits (Immunities and Exemptions) Act 1991 as announced in the Union Budget 1991-92. The main objective of the Scheme was to canalise unaccounted money for utilisation towards achieving certain social objectives such as slum clearance and low cost housing for the rural poor. The Scheme was in operation for four months and has since been closed on January 31, 1992. Persons making deposits under the Scheme were provided immunities and exemptions under the aforesaid Act. The minimum deposit under the Scheme was Rs. 10,000 and thereafter, in multiples of Rs. 1,000. Depositors were not required to disclose the nature and source of funds for the deposits. No enquiry or investigation could be commenced against any person by any authority merely on the ground that the person had made deposit under the Scheme. Further, the fact that deposit had been made under the Scheme could not be used as evidence in any proceeding relating

to an offence or impositions of any penalty. Forty per cent of the amount of deposits was required to be credited to a special fund for financing slum clearance and low cost housing for the poor, the balance sixty per cent being withdrawable by the depositor in one or more instalments immediately for any purpose (s) of his choice. Deposits were accepted in 855 branches of 9 designated banks throughout the country. Provisional data available suggest that deposits worth Rs. 150.21 crore had been mobilised under the Scheme of which 40 per cent, about Rs. 60 crore had been transferred to NHB for utilising the amount towards achieving the social objectives in consultation with the Government of India.

Following across-the-board increase in the lending rates of scheduled commercial banks by 1.5 percentage points in October 1991, NHB also effected suitable modifications in its refinance rates. While effecting the revision NHB made two broad categories of the institutions, one comprising of only scheduled banks (commercial and cooperatives) for which uniform interest rates based on the structure prescribed by the Reserve Bank for scheduled commercial banks has been adopted. For the second category comprising of non-banking institutions (HFCs, apex cooperative housing societies and the State land development banks) a different but uniform interest rate structure based on those prescribed for HFCs has been adopted. These rates are presented in Table VII-30 and Table VII-31.

NHB during the year had introduced another refinance scheme for housing loans to allottees of plots/dwelling units under the Land Develoment and Shelter Projects (LD&SP) refinanced by its subject to certain conditions. This is in addition to existing scheme for LD&SP executed in accordance with NHB's guidelines by public housing and development agencies, co-operative housing societies, etc. The objective of the new scheme is to enable banks/HFCs to give such housing loans thereby facilitating timely adjustment of term loans extended for relative LD&SP. The interest rate structure as applicable to the regular refinance scheme as mentioned in the earlier paragraphs are applicable for this scheme also.

The total refinance assitance provided by NHB till May 29, 1992 was Rs. 1,090.16 crore enabling

Table VII-30: SCHEDULED BANKS

Rate of interest (per cent per annum)

	To be charged by NHB to institution			To be charged by institution to ultimate beneficiary		
	Scheduled Commercial Banks	Scheduled Urban Co-op. Banks	Scheduled State Co-op. Banks	Scheduled Commercial Banks	Scheduled Urban Co-op. Banks	Scheduled State Co-op. Banks.
1	2	3	4	5	6	7
i) Upto Rs. 7,500	9.5	9.5	9.5	11.5	11.5	11.5
ii) Above Rs. 7,500 and upto Rs. 15,000	11.0	11.0	11.0	13.0	13.0	13.0
iii) Above Rs. 15,000 and upto Rs. 25,000	11.5	11.5	11.5	13.5	13.5	13.5
iv) Above Rs. 25,000 and upto Rs. 50,000	13.5	13.5	13.5	15.5	15.5	15.5
v) Above Rs. 50,000 and upto Rs. 1,00,000	15.0	15.0	15.0	16.5	16.5	16.5
vi) Above Rs. 1,00,000 and upto Rs. 2,00,000	15.0	15.0	–	16.5	16.5	–

Same slab-wise rates of interest are applicable in respect of loans upto Rs. 30,000 provided for upgradation including major repairs.

Table VII-31: NON-BANKING INSTITUTIONS

Rate of interest (per cent per annum)

Amount of loan	To be charged by NHB to institution			To be charged by institution to ultimate beneficiary		
	Housing Finance companies	Apex Co-op Housing Finance Societies	State Land Dev. Banks@	Housing Finance Companies	Apex Co-op. Hsg. Finance Societies	State Land Dev. Banks
1	2	3	4	5	6	7
For acquisition/construction of new housing units						
i) Upto Rs. 7,500	8.0	8.0	8.0	10.0	10.0	10.0
ii) Above Rs. 7,500 and upto Rs. 15,000	9.5	9.5	9.5	11.5	11.5	11.5
iii) Above Rs. 15,000 and upto Rs. 25,000	11.0	11.0	11.0	13.0	13.0	13.0
iv) Above Rs. 25,000 and upto Rs. 50,000	13.0	13.0	13.0	15.0	15.5	15.5
v) Above Rs. 50,000 and upto Rs. 1,00,000	14.0	14.0	14.0	15.5	15.0	15.0
vi) Above Rs. 1,00,000 and upto Rs. 2,00,000	14.5 (Min)	14.5	–	16.0 (Min)	16.0	–
vii) Above Rs. 2,00,000	No refinance					
For upgradation including major repairs.						
i) Upto Rs. 30,000	13.0 (Min.)	Same slab-wise rate		15.0 (Min.)	Same slab-wise rate	
ii) Above Rs. 30,000	No refinance			16.0 (Min.)	–	–

@ For subscription to Special Rural Housing Debentures.

Note : In the case of Scheduled State Co-operative banks and State Land Development Banks, NHB's refinance is restricted to housing loans upto Rs. 1 lakh.

construction of over one million dwelling units. This besides, NHB also extended an ad hoc financial assistance of Rs. 10.93 crore on HFC/ ARDB. It is the housing finance companies which had availed of as in the past the maximum share of 80.5 per cent of the total refinance followed by the cooperative sector institutions accounting for 13.4 per cent and the balance of 6.4 per cent was availed of by scheduled commercial banks.

It was observed that housing finance companies have developed a propensity to rely on NHB rather heavily for their resource requirements without making any serious efforts to augment their equity base as also to tap other sources particularly household deposits which would result in additionality of resources to the housing sector. In view of this NHB adopted the following refinancing policy in September 1991.

(i) HFCs will be eligible for a basic refinance limit up to five times of their Net Owned Funds (NOF) i. e. paid-up capital plus free reserves less accumulated loss balance, deferred revenue expenditure and other intangible assets.

(ii) Additionally, in the case of HFCs with NOF up to Rs. 10 crore, refinance up to three times the amount of deposits may be allowed. As regards HFCs with NOF above Rs. 10 crore, additional refinance will be restricted to twice the amount of deposits. Special consideration will, however, be given in cases where second or subsequent instalments are to be released against committed housing loans and for housing loans given in rural areas, provided the requisite data is furnished to NHB.

(iii) The overall ceiling for refinance in respect of (i) and (ii) as also any ad hoc finance which may be provided will be fifteen times of NOF.

(iv) NHB's refinance for Land Development and Shelter projects (LD&SPs) will normally be restricted to 30 per cent of the total disbursements of an HFC during the year (July-June). Exceptions may, however, be made in the case of projects of Public Agencies executed in accordance with NHB's guidelines.

(v) HFC's financial assistance under LD&SPs to a single borrower other than a public agency should not normally exceed thirty per cent of that HFC's NOF.

(vi) HFC's overdues position should be in conformity with the criteria as may be fixed by NHB from time to time.

On a review of NHB's refinance schemes for LD&SPs it was revealed that there are certain areas of social and other infrastructure services which are not covered by NHB's relative guidelines but vital to housing. With a view to extending financial assistance for development of such infrastructural facilities, NHB has introduced in January 1992 a refinance scheme for Housing Infrastructure Development Projects executed by public agencies, Co-operative housing societies, professional developers, etc. Under the scheme, loans for such housing infrastructure development societies will be provided by banks/HFCs to public agencies and co-operative housing socities at the interest rate of 17 per cent per annum i.e., the rate prescribed by RBI for bank lending for housing to intermediary agencies. Refinance will be provided by NHB at the interest rate of 16 per cent per annum. Loans for such projects to others will be provided at the interest rate of 20 per cent per annum and interest on refinance will be at the rate of 18.25 per cent per annum, of which 0.25 per cent will be credited to RIF to be created in NHB. The term of refinance will be co-terminus with the period for which funds are provided by the primary lending agency, subject to the condition that the total period shall not exceed 5 years. The entire refinance with accumulated interest, calculated at quarterly rests, is repayable to NHB on completion to the project or at the end of the period of refinance which is earlier.

NHB up to end-May, 1992 had cleared 81 projects aggregating Rs. 624.24 crore, with a loan component of Rs. 478.73 crore, for development of 22,310 plots and construction of 61,364 dwelling units. In addition, NHB had also given in principle, clearance for 111 projects involving a total outlay of Rs. 706.43 crore for development of 23,926 plots and construction of 37,607 dwelling units.

NHB had recognised till end-March 1992, 17 HFCs in public and private sectors (excluding

HUDCO) as eligible to draw refinance from it. Of the 17 HFCs, 7 are subsidiaries promoted by public sector banks, one by private sector bank, two by insurance companies and the remaining 7 are either in the joint sector or private sector. There were 224 branches of these companies operating throughout the country as on March 31, 1992. NHB is participating in the equity of 4 HFCs.

The regulatory powers of the NHB enable it to regulate or prohibit the issue by any corporate HFI of any prospectus or advertisement soliciting deposits of money from the public, to collect information from such HFIs as to deposits, to give directions to them regarding acceptance of deposits and to inspect their books for verifying the correctness of any information furnished to NHB. A separate Cell has been created in NHB in september, 1991, for inspecting HFCs. So far, 30 HFCs had been inspected and findings communicated to them for necessary corrective action.

OTHER BANKING DEVELOPMENTS

Action Plans for Banks

The banks continued the implementation of Action Plan drawn by them with a view to bringing about improvement in their overall performance. Banks have been *inter alia* impressed upon the need to take earnest steps for improving their profitability so as to generate adequate surplus to provide for the estimated loans losses and other contingencies. In the area of credit management, the need for improving quality of appraisal, timely review/renewal of existing loan accounts and efficacy of follow up and supervision over credit was emphasised on banks. In particular, they were advised to ensure establishment of adequate system for continuous monitoring of large borrowal accounts. Banks have also been advised to lay down comprehensive loan policy covering various aspects concerning entire area of assets management including advances and investments portfolio for the guidance of the various functionaries.

In this regard, they have been advised to furnish information on a half yearly basis for the purpose of proper monitoring on the movements of advances classified under health codes 4 to 8 as on March 31 and September 30.

Banks have also been advised to consider seriously, improving the volume of business, concentrating in effecting quicker recoveries of overdues, ensuring efficient management of funds, controlling expenditure effectively, reducing the incidence of bad debts. In the context of increasing wages of bank employees as well as the need to step up the productive levels, banks have been advised to continue moderating their recruitment policies and ensure optimising the use of the existing manpower.

Financial Diversification of Banks

During the period under review, the Ind Bank Merchant Banking Services Ltd. a merchant banking subsidiary set by the Indian Bank, was permitted to increase its paid up capital from Rs. 5 crore to Rs. 15 crore.

During the year, the banks Mutual Funds floated 10 new schemes — three by SBI Mutual Fund, two each by PNB Mutual Fund, BOI Mutual Fund, Canbank Mutual Fund and one by Indbank Mutual Fund. State Bank of India Capital Markets Ltd. and Canbank Financial Services Ltd. were permitted to make further investment in OTC Exchange of India, while Allahabad Bank, State Bank of India, Bank of Baroda, Punjab National Bank and Vysya Bank were permitted to participate in the equity of Investment Information and Credit Rating Agency Ltd., a credit rating agency promoted by IFCI. Indian Overseas Bank, Bank of Baroda and Indian Bank were permitted to make investments in the equity of APIDC Venture Fund, 20th Century Venture Capital Corporation and Indus Venture Capital Fund, respectively. Andhra Bank was also permitted to invest in three venture capital funds, viz., APIDC Venture Capital Fund, GIIC Venture Capital Fund and Technology Development Information Company Ltd. Eleven Indian banks were permitted to enter the business of credit card. Bank of America, National Trust and Savings Association and Citibank were also permitted to enter domestic credit card business.

As at the end of June 1992, five public sector banks and one private sector bank had set up subsidiaries exclusively for providing housing finance.

Revision of Inventory/Receivables Norms and Other Related Issues

The various revisions effected in the inventory/ receivable norms have been discussed in the following paragraphs.

(i) The composite textile mills in the cotton-blended mills sector had been facing problems due to demand recession and consequent accumulation of finished goods and extended receivables. Relaxation in the norms levels for finished goods and receivables from 3 months to 3.5 months had, therefore, been permitted from time to time and the last such extension had been allowed up to March 31, 1992. With the improvement in the situation, the above relaxation has been withdrawn and banks have been permitted to allow deviation in norms only in exceptional cases.

(ii) In the light of the recommendations made by Committee of Direction (COD), inventory/ receivables norms for assessment of working capital requirements have been prescribed for the following industries:

I. **Bicycle tyre manufacturing units**	(months)
a) Raw material	1.75
b) Stocks-in-process	0.50
c) Finished goods & receivables (combined)	3.00
II. **Power Generation/ distribution agency**	
a) Raw material	
(i) Coal	1.50
(ii) Fuel Oil	2.00
b) Receivables	2.50
c) Consumable Spares	
(i) Indigenous	9.00
(ii) Imported	12.00
III. **Chemical industry — essential oil-based chemicals**	
a) Raw material	1.50
b) Stocks-in-process	0.25
c) Finished goods	1.75
d) Receivables	1.50

These norms have come into force with effect from March 23, 1992, and working capital requirements for fresh sanction/renewals/ enhancements for these industries would be considered in the light of these norms.

(iii) The level of imported raw materials had been pegged to prescribed norms subject to a ceiling of 3 months in October, 1990, as one of the measures taken to conserve foreign exchange. With improvement in the foreign exchange reserves position, banks have been advised that while the level of imported inventory need not be restricted to 3 months, it should conform to the norms prescribed for the industry, and in cases, where no norms have been specified, banks should be guided by past trends subject to a maximum of 6 months.

(iv) The "Buffer Stocking System" operated by the Government of India through State Trading Corporation to even out price fluctuations in natural rubber, has since been transferred to individual tyre companies. On the basis of a request received from the Automotive Tyre Manufacturers' Association that the tyre companies should be provided additional credit to undertake this operation, it has been agreed that banks can support purchase of natural rubber upto a maximum of 1.25 months consumption over and above the norm of 2 months raw material consumption already prescribed for the industry. The additional credit limits are available only if the stocks are bought at support price fixed by Government of India as also only during the peak season (September-January).

WORKING OF GUARANTEE CORPORATIONS

Deposit Insurance and Credit Guarantee Corporation (DICGC)

The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been operating the Deposit Insurance Scheme to provide insurance cover for protection of small depositors in banks and six Credit Guarantee Schemes guaranteeing support to eligible credit institutions for their priority sector advances to small borrowers and small-scale industries. Out of its six credit guarantee schemes, the Corporation has terminated three Schemes, viz., small Loans (Financial Corporations) Guarantee Scheme,

1971, Service Co-operative Societies Guarantee Scheme, 1971 and Small Loans (Co-operative Credit Societies) Guarantee Scheme, 1992, with effect from April 1, 1992, on account of either nil or negligible guaranteed advances and persistent default in payment of guarantee fee, etc., by participating institutions. The two schemes for small borrowers, viz., Small Loans Guarantee Scheme, 1971 and Small Loans (Co-operative Banks) Guarantee Scheme, 1984 and the one Scheme for Small-Scale Industries sector, viz., Small Loans (Small-Scale Industries) Guarantee Scheme, 1981, which together cover more than 99 per cent of the total guaranteed advances are, however, in operation.

The number of insured banks increased to 1,931 as on March 31, 1992, from 1,922 existed on March 31, 1991, comprising 80 commercial banks, 196 Regional Rural Banks and 1,655 co-operative banks covering 16 States and 3 Union Territories. Extension of the Deposit Insurance Scheme to co-operative banks in Assam, Manipur and Sikkim is under consideration.

There has been no change in the limit of insurance cover and the rate of insurance per bank (in the same right and capacity) and 4 paise per Rs. 100/- per annum, respectively. The assessable deposits rose to Rs. 1,86,307 crore as at the end of June 1991 from Rs. 1,56,892 crore as at end of June 1990. The insured deposits also rose from Rs. 1,09,316 crore as at the end of June 1990 to Rs. 1,27,925 crore as at the end of June 1991, forming 68.7 per cent of the total assessable deposits. As at the end of June 1991, fully protected deposit accounts at 3,169 lakhs formed 96.4 per cent of total number of deposit accounts.

Since the inception of the scheme up to the end of March 1992, total amount of deposit insurance claims paid and provided in respect of 24 commercial banks and 23 co-operative banks aggregated to Rs. 135.92 crore and Rs. 3.21 crore, respectively. The Corporation received from commercial banks and co-operative banks an aggregate sum of Rs. 14.65 crore towards repayment up to March 1992.

As at the end of March 1992, 249 commercial banks including 193 RRBs participated in the Corporation's Small Loans Guarantee Scheme, 1971. The number of primary urban co-operative banks participating in the Small Loans (Co-operative Banks) Guarantee Scheme, 1984, stood at 35 at this point of time.

Total amount of advances guaranteed under the scheme increased fromRs. 27,692 crore at the end of March 1990 to Rs. 29,181 crore at the end of March 1991 or 5.4 per cent. The Small Loans Guarantee Scheme, 1971, continued to account for the bulk of total guaranteed advances to small borrowers at 99.9 per cent. Advances to farmers and agriculturists under the Scheme formed 67.8 per cent of total guaranteed advances to small borrowers.

The number of credit guaranteed claims preferred under the schemes during the year ended March 1992 was 1,652 lakh worth of Rs. 409.97 crore. Claims received since inception of the schemes till the end of March 1992, were 9,752 lakh for an aggregate amount of Rs. 2,318.14 crore forming 7.9 per cent of total guaranteed advances of Rs. 29,180.82 crore at the end of March 1991. During the period April 1991 to March 1992, the number of claims disposed of was 1,591 lakh amounting to Rs. 360.16 crore. Since the inception of the Scheme till March 1992, 8,904 lakh claims worth Rs. 1,951.91 crore have been disposed of.

The number of institutions participating in the Corporation's Small Loans (Small-Scale Industries) Guarantee Scheme, 1981, declined from 371 as at the end of March 1991 to 357 as at the end of March 1992. Total amount of guaranteed advances to small-scale industries under the scheme rose from Rs. 16,826 crore as at the end of March 1990 to Rs. 17,362 crore as at the end of March 1991, recording a rise of 3.2 per cent.

Under the Corporation's Scheme for Small Scale Inustries, 78,447 claims for Rs. 217.3 crore were received and 80,510 claims for Rs. 255.7 crore were disposed of during the fiscal year 1991-92. Total receipts and disposal of claims

since inception of the scheme till March 1992 were 4,64,294 claims for Rs. 1,277 crore and 4,52,839 claims for Rs. 1,239 crore, respectively.

Under the Government of India's Scheme for Small-Scale Industries terminated as at the end of March 1981, the Corporation had been acting as an agent of the Government for the discharge of residual functions up to December 1991. The Corporation, in addtion to taking over 30,826 claims for Rs. 98 crore as on April 1, 1981, had received 68,278 claims for Rs. 160.77 crore till the end of March 1992. Claims disposed for during the year 1991-92 numbered 232 for Rs. 4.05 crore, the total disposal since cancellation of the scheme till March 1992 was 99,104 claims for Rs. 258.95 crore.

The guaranteed advances under these Schemes amounted to Rs. 46,543 crore as on March 31, 1991. In spite of the increase in the guarantee fee rate from 50/75 paise to Rs. 1.50 per Rs. 100 with effect from April 1, 1989, the guarantee fee receipts fell short of the guarantee claims receipts consecutively over the last two years. There is, therefore, a need for reviewing the operational viability of the existing guarantee schemes.

Export Credit Guarantee Corporation of India Ltd. (ECGC)

There has been a steady increase in the number of policies and guarantees (excluding long term) issued by the Export Credit Guarantee Corporation of India Ltd. (ECGC). For the financial year 1991-92, the number of such policies and guarantees issued was 10,704 which was higher than 10,284 issued a year ago; including long-term policies the number of policies and guarantees increased to 10,931 as compared with 10,513. The value covered under the insurance policies rose substantially to Rs. 9,802 crore as against Rs. 6,761 crore during this period. Export finance (excluding long-term) covered under the Financial Guarantees placed at Rs. 53,798 crore registered a rise of Rs. 23,128 crore or 15.4 per cent over the previous year's level of Rs. 30,670 crore, including long-term guarantee the amount was Rs. 55,027 crore as compared to Rs. 31,242 crore in 1991-92. Table VII-32 presents the scheme-wise details of the Corporation for the fiscal years 1990-91 and 1991-92. The Corporation earned higher premium of Rs. 89.51 crore than that of Rs. 62.48 crore earned during the preceding year showing a rise of 43.3 per cent. The value of

Table VII-32 : ECGC'S GUARANTEES TO BANKS AND POLICIES TO EXPORTERS NO. OF POLICIES AND GUARANTEES (APRIL-MARCH)

(Rs. crore)

Sr. No.	Type of Scheme	Issued during		In force at the end of		Bank Finance Guarantee availed of	
		1990-91	1991-92	1990-91	1991-92	1990-91	1991-92
1	2	3	4	5	6	7	8
1.	Standard Policies including Transfer Guarantees	6,771	6,723	12,417	13,850	–	9,065
2.	Long Term Policies	68	42	448	484	–	742
3.	Packing Credit Guarantees	383	323	376	349	21,214	30,273
4.	Post-Shipment Guarantees	1,125	1,230	1,161	1,209	9,074	14,071
5.	Export Finance Guarantees	382	373	381	361	143	158
6.	Export Production Finance Guarantees	13	23	17	18	29	40
7.	Export Performance Guarantees (Short-term)	1,610	2,032	3,102	2,433	200	191
8.	Export Performance Guarantees (Long -term)	161	185	647	804	572	487
	Total (excluding long term policis and guarantees)	**10,284**	**10,704**	**17,454**	**18,220**	**30,670**	**53,798**
	Total (including long term policis and guarantees)	**10,513**	**10,931**	**18,549**	**19,508**	**31,242**	**55,027**

claims paid stood at Rs. 105.35 crore whereas those recovered was Rs. 32.67 crore, resulting in a net claim payment amounting to Rs. 72.68 crore.

Financial Companies—Regulations Governing Acceptance of Deposits

During the year ended June 1992 the directions issued to non-banking financial companies were amended on three occasions. It was mentioned in the previous Report on Currency and Finance that effective July 27, 1991, the maximum rate of interest that non-banking financial companies can offer on their deposits had been raised from 14 per cent to 15 per cent per annum. In September 1991, it was prescribed that interest could be paid or compounded at quarterly rests not shorter than monthly rests. The requirement in Government and approved securities by hire-purchase and equipment-leasing companies has been raised from 10 per cent to 15 per cent of the deposit liabilities which would be achieved in phases of one per cent in each quarter commencing from November 1, 1991 and reaching 15 per cent on and from November 1, 1992. Out of the 15 per cent liquid assets, a minimum of 5 per cent is required to be kept in the form of Central and State Government securities and/or Central and State Government-guaranteed bonds. The minimum and maximum period for which deposits can be accepted by loan and investment companies have been raised from 6 months and 36 months, respectively, to cover 24 months and 60 months, respectively, as in the case with the hire-purchase and equipment-leasing companies. It has also been stipulated that if a company is engaged both in hire-purchase finance and equipment-leasing activities, its business in both these activities will be taken together in determining its principal business and classification. On a 3-year average the company should hold at least 50 per cent of its assets in hire-purchase and equipment-leasing and should have at least a third of its income from these two activities so as to be classified as a hire-purchase or leasing company.

A few other measures have been introduced to benefit the depositors. Deposits can now be held in joint names with a survivor clause. In the event of the death of a depositor, premature repayment of his deposit can be made to other surviving depositor/s or his legal heir with interest at the contracted rate. It has also been stipulated that if a deposit is withdrawn prematurely after 12 months from the date of the deposit, the financial company can pay interest at a rate not exceeding 11 per cent per annum. Financial companies are now required to keep security deposits taken from employees in banks/post offices in the joint names of the companies and the employees.

Working Group on Financial Companies

In May 1992, the Bank has set up a Working Group of Financial Companies under the Chairmanship of Dr. A. C. Shah, Chairman, Bank of Baroda, to study in depth the role of non-banking financial companies and suggest regulatory and control measures to ensure healthy operations of these companies. The Group has since submitted its report which is under consideration of the Reserve Bank. One of the major recommendations of the Working Group has been that deposit-taking companie with net owned funds of Rs. 50 lakh and above shall be compulsorily registered with the appropriate authority. It has also recommended dismantling of the categories/classification of non-banking financial companies and application of uniform regulations. The prescribed capital adequacy standards based on risk-weighted assets as prescribed for commercial banks will be applied to the financial companies. For better supervision and control, the Working Group has recommended that these companies should be brought under the high-powered Supervisory Board to be set up under the aegies of RBI as per the recommendations of Narasimham Committee.

Chit Funds Act, 1982

The Act has so far been brought into force in 19 States/Union Territories, viz., Assam, Bihar, Goa, Himachal Pradesh, Karnataka, Madhya Pradesh, Meghalaya, Orissa, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, West Bengal, Andaman & Nicobar Islands, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep and Pondicherry. Necessary follow-up action is being taken with the remaining States/Union Territories.

Acceptance of Deposits by Unincorporated Bodies

During the year under review, three more Union Territories have issued notifications authorising suitable officers to take action against unincorporated bodies as envisaged in Sections 45T and 58E of the Reserve Bank of India Act, 1934, thereby bringing the total number of such States/Union Territories to 30. The matter is being pursued with the remaining States. Of the prosecutions against 19 unincorporated bodies initiated as reported in the last Report, 5 cases have been disposed of by the trial courts. The other cases are at various stages of trial.

Trends in Growth of Deposits with Non-Banking Corporate Sector

According to the provisional data available, during the year ended March 31, 1991, the aggregate borrowings of 9,901 reporting non-banking companies rose by Rs. 10,532 crore and stood at Rs. 44,063 crore as against Rs. 33,531 crore held by 10,140 companies as at the end of March 1990. The total regulated deposits of the reporting companies recorded an increase of Rs. 1,245 crore and stood at Rs. 8,003 crore while exempted borrowings rose by Rs. 9,287 crore to Rs. 36,060 crore. Non-financial companies accounted for 59.6 per cent of aggregate borrowings while financial companies accounted for 35.5 per cent and miscellaneous non-banking companies and residuary non-banking companies for 4.9 per cent each. The regulated deposits held by the non-banking sector were equivalent to 3.9 per cent of the total deposits of all scheduled commercial banks (Table VII-33).

RURAL CREDIT

Institutional Finance for Agriculture

The institutional credit structure for rural sector in India consists of the co-operatives, scheduled commercial banks and regional rural banks (RRBs). At the apex level, active financial support is rendered by both Central and State Governments and by national financial institutions such as National Bank for Agriculture and Rural Development or National Bank and Reserve bank of India. The State Governments also provide

Table VII-33: DEPOSITS WITH THE NON-BANKING CORPORATE SECTOR
(as at the end of March)

(Rs. crore)

Category	1989-90				1990-91 (Provisional)			
	No. of reporting companies	Regulated deposits	Exempted deposits	Total	No. of reporting companies	Regulated deposits	Exempted deposits	Total
1	2	3	4	5	6	7	8	9
Aggregate deposits	10,140	6,758	26,773	33,531	9,901	8,003	36,060	44,063
Of which held by								
i) Non-financial companies	2,438	4,044	16,759	20,803	2,365	4,610	21,671	26,281
	(24.0)	(59.8)	(62.6)	(62.0)	(23.9)	(59.6)	(60.1)	(59.6)
ii) Financial companies	6,538	1,825	9,139	10,964	6,416	2,184	13,450	15,634
	(64.5)	(27.0)	(34.1)	(32.7)	(64.8)	(27.3)	(37.3)	(35.5)
iii) Misc. Non-Banking Companies and Residuary Non-Banking Companies	1,164	889	875	1,764	1,120	1,209	939	2,148
	(11.5)	(13.2)	(3.3)	(5.3)	(11.3)	(15.1)	(2.6)	(4.9)

Note : Figures in brackets are percentages to total number of reporting companies/regulated/exempted/aggregate deposits as the case may be.

'taccavi' loans to farmers besides extending financial support to State-co-operative banks (SCBs) and the land development banks (LDBs). At the grass-root level, the Primary Agricultural Credit Societies (PACS) provide mainly short and medium-term loans to agriculture while long-term loans are provided by state land development banks. The commercial banks, including RRBs, provide both short and term loans for agriculture and allied activities. The National Bank provides, by way of refinance, assistance extensively to co-operatives, commercial banks and RRBs for agriculture and allied activities. The Reserve Bank of India as the central bank of the country plays a crucial role in this sphere by giving overall direction to rural credit and financial support to the National Bank for its operations.

Finance for Agricultural and Allied Activities

Complete data on institutional finance for agricultural and allied activities are not available for 1991-92. The data for 1990-91 are provisional and for 1991-92, except for RRBs, data are not yet available for other institutions (Tables VII-34 and VII-35).

(a) Direct Finance

Direct finance disbursed for agriculture by the co-operatives declined by Rs. 61 crore to Rs. 5,392 crore in 1990-91 (April-March) from Rs. 5,453 crore in 1989-90. The short term loans disbursed by PACS declined by Rs. 147 crore (3.6 per cent) to Rs. 3,932 crore in 1990-91 from Rs. 4,079 crore in 1989-90. The State Governments disbursed Rs. 359 crore in 1990-91 as against Rs. 292 crore in 1989-90. This amount would be still higher at Rs. 398 crore for 1991-92. Loans disbursed by scheduled commercial banks amounted to Rs. 4,675 crore in 1990-91 as against Rs. 4,282 crore in 1989-90, showing an increase of Rs. 393 crore or 9.2 per cent over the preceding year. Disbursement of loans by RRBs in the year 1990-91 recorded a decline of Rs. 313 crore to Rs. 334 crore from Rs. 647 crore in 1989-90. (However, they increased by Rs. 262 crore to Rs. 596 crore during 1991-92). Thus, the total direct finance disbursed for agriculture and allied activities by the institutional agencies aggregated to Rs. 10,760 crore during 1990-91 as against Rs. 10,675 crore in 1989-90, recording a rise of 0.8 per cent.

The amount of direct loans outstanding by co-operatives aggregated Rs. 10,531 crore at the end of June 1991 which showed a decline of Rs. 258 crore or 2.4 per cent over the outstanding of Rs. 10,789 crore at the end of June 1990. The outstanding short-term loans of PACS also registered a decline of 4.0 per cent to Rs. 5,178 crore at the end of June 1991 from Rs. 5,392 crore at the end of June 1990. The medium and long-term loans by PACS and LDBs showed a decline of Rs. 45 crore or 0.8 per cent to Rs. 5,353 crore as at the end of June 1991. The outstanding amount of direct loans of scheduled commercial banks, however, (excluding RRBs) moved up from Rs. 15,283 crore at the end of June 1990 to Rs. 17,032 crore at the end of June 1991, showing a rise of Rs. 1,749 crore or 11.4 per cent. Loans outstanding by RRBs at the end of June 1991 increased to Rs. 1,895 crore from Rs. 1,838 crore (revised), showing an increase of 3.1 per cent (these have further increased to Rs. 2,163 crore by end June 1992).

The total direct finance outstanding for agriculture and allied activities by institutional agencies viz., co-operatives and scheduled commercial banks together aggregated Rs. 29,458 crore as at the end of June 1991 as against Rs. 27,910 crore as at June 1990. Complete data for the subsequent year are not available (Table VII-34).

*(b) Indirect Finance**

Data on indirect finance to agriculture are presented in Table VII-35. Data on disbursement of loans for 1991-92 are not available except for RRBs and REC. Loans disbursed by co-operatives

* Indirect finance includes credit for distribution of fertilizers, loans to electricity Boards, loans to farmers through PACS/FSS/LAMPS and advances to State-sponsored Corporations for on-lending to weaker sections in agricultural sector.

Table VII - 34 : DIRECT INSTITUTIONAL FINANCE FOR AGRICULTURE AND ALLIED ACTIVITIES

(Rupees Crore)

	Source of Finance	Loans issued during the year (July-June)					Loans outstanding as on June 30				
		1987-88	1988-89	1989-90	1990-91	1991-92	1988	1989	1990	1991	1992
	1	2	3	4	5	6	7	8	9	10	11
I.	**Co-operatives**	**4,710.4**	**4,873.1**[P]	**5,453.4**[P]	**5,392.0**[P]	..	**8,346.6**[P]	**9,407.7**[P]	**10,789.4**	**10,531.0**[P]	..
	Of which :										
	(a) Short-term loans by PACS @	3,119.8	3,594.2	4,079.2	3,932.0	..	3,870.8	4,667.7	5,391.7	5,178.0	..
		(66.7)	(73.4)	(..)	(..)	(..)	(136.0)	(152.3)	(..)	(..)	(..)
	(b) Medium and Long-term loans by	1,590.6	1,278.9	1,374.2	1,460.0		4,475.8	4,740.0	5,397.7	5,353.0	..
	PACS/LDBs@@	(1,023.8)	(676.4)	(734.9)	(713.0)	(..)	(3,084.4)	(3,167.3)	(3,499.0)	(3,654.0)	(..)
II	**State Governments#**	**478.4**	**274.5**	**291.8**	**358.6**[P]	**398.4**[P]	..	..	..	..	..
III.	**Scheduled Commercial Banks (excluding RRBs)**	**3,526.1**	**3,813.2**	**4,282.4**	**4,675.5**	..	**11,424.0**	**12,840.2**	**15,283.0**	**17,031.6**	..
	Of which :										
	(a) Short-term loans	1,671.7	1,765.3	1,897.9	2,047.6	..	3,071.0	3,414.0	4,004.5	4,234.7	..
	(b) Term Loans	1,854.4	2,047.9	2,384.5	2,627.9	..	8,353.0	9,426.2	11,278.5	12,796.9	..
IV.	**Regional Rural Banks$**	**483.2**	**467.5**	**647.2**	**334.5**[R]	**596.3**[P]	**1,313.4**	**1,551.8**	**1,837.9**	**1,895.3**[R]	**2,163.2**[P]
	Of which :										
	(a) Short-term loans	245.8	255.1	335.6	124.9	336.5	400.4	479.1	574.8	619.7	774.6
	(b) Term Loans	237.4	212.4	311.6	209.6	259.8	913.0	1,072.7	1,263.1	1,275.6	1,388.6
V.	**Total Direct Finance (I to IV)**	**9,198.1**	**9,428.3**	**10,674.8**	**10,760.6**	..	**21,084.0**[R]	**23,799.7**	**27,910.3**	**29,457.9**	..
	Of which :										
	(a) Short-term Loans	5,515.7	5,889.1	6,604.5	6,463.1	..	7,342.2	8,560.8	9,971.0	10,032.4	..
	(b) Medium and Long-term loans	3,682.4	3,539.2	4,070.3	4,297.5	..	13,741.8	15,238.9	17,939.3	19,425.5	..

P = Provisional.

.. = Not available.

R = Revised

@ Figures in brackets relate to short-term finance provided by RRBs and other commercial banks through PACS.

@@ Figures in brackets relate to long-term loans by LDBs.

Taken as short-term loans and relate to financial year April-March.

$: Loans issued for 1990-91 and 1991-92 refer to April-March.

Source:

i) National Bank for Agriculture and Rural Development.

ii) Reserve Bank of India.

iii) Annual Budget of the State Governments.

Table VII-35: INDIRECT INSTITUTIONAL FINANCE FOR AGRICULTURE AND ALLIED ACTIVITIES

(Rupees Crore)

Source of Finance	Loans issued during the year (July-June)					Loans outstanding as on June 30				
	1987-88	1988-89	1989-90	1990-91	1991-92	1988	1989	1990	1991	1992
1	2	3	4	5	6	7	8	9	10	11
I Co-operatives @	**2,452.5**	**1,942.2**	**1,687.7**	**1,727.3^{E}**	..	**2,313.1**	**2,381.7**	**2,230.1**	**2,355.1^{E}**	..
Of which :										
(a) State Co-operative Banks @@	1,034.6	416.4	494.5	327.5^{E}	..	982.0	889.3	837.6	892.8^{E}	..
(b) Central Co-operative Banks @@	1,417.9	1,525.8	1,193.2	1,399.8^{E}	..	1,331.1	1,492.4	1,392.5	1,462.3^{E}	..
II. Scheduled Commercial Banks (excluding RRBs)#	**266.3**	**193.9**	**207.4**	**199.9**	..	**1,510.2**	**1,541.2**	**1,428.6**	**1,189.4**	..
III. Regional Rural Banks +	**10.7**	**10.7**	**9.7**	**8.4^{R}**	**7.3^{P}**	**35.4**	**43.6**	**43.7**	**48.0^{R}**	**33.5**
IV. Rural Electrification Corporation ##	**654.6**	**804.5**	**712.8**	**709.1**	**586.3^{P}**	**2,828.6**	**3,457.7^{R}**	**3,959.1**	**4,524.0**	**4,829.5**
V. TOTAL INDIRECT FINANCE	**3,384.1**	**2,951.3**	**2,617.6**	**2,,644.7**	..	**6,687.3^{R}**	**7,424.2**	**7,661.5**	**8,116.5**	..

.. : Not available.
R : Revised.
E : Estimates.
@ : Taken as short-term loans.
@@ : Loans issued include food procurement finance but these are not included in loans outstanding which mainly cover direct advances given to non-agricultural credit societies operating at apex, regional or primary levels.
# : Outstanding are as on the last Friday of June, unless stated otherwise; break-up of these data into short-term and term-loans are not available.
: Taken as long-term loans. Financial year April-March.
+ : Loans issued for 1990-91 and 1991-92 refer to April-March.

Source :
i) National Bank for Agriculture and Rural Development.
ii) Reserve Bank of India (Special Return III).
iii) Rural Electrification Corporation Ltd.

in 1990-91 (estimated) aggregated to Rs. 1,727 crore as against Rs. 1,688 crore in 1989-90, showing an increase of Rs. 39 crore or 2.3 per cent over the year. Loans disbursed by scheduled commercial banks (excluding RRBs) were lower at Rs. 200 crore during 1990-91 as against Rs. 207 crore in 1989-90. Disbursement of loans by RRBs amounted to Rs. 8 crore during 1990-91 (April-March) and were lower as compared to Rs. 10 crore (July-June) in 1989-90 (the disbursements further declined to Rs. 7 crore during 1991-92).

The Rural Electrification Corporation Ltd. (REC) disbursed loan to the tune of Rs. 586 crore for the financial year 1991-92 (April-March) as against Rs. 709 crore in 1990-91 (April-March), showing a decline of Rs. 123 crore or 17.3 per cent.

The co-operative loans outstanding at the end of June 1991 aggregated Rs. 2,355 crore as compared with Rs. 2,230 crore a year ago, representing an increase of Rs. 125 crore or 5.6 per cent over the year.

The outstanding advances of scheduled commercial banks as at end-March 1991 stood at Rs. 1,189 crore as against Rs. 1,429 crore as at end-March 1990. In the case of RRBs, the loans outstanding at the end of March 1991 represented Rs. 48 crore (revised), showing an increase of Rs. 4 crore over that of Rs. 44 crore as at the end of June 1990. However, these outstandings declined to Rs. 34 crore at the end of March 1992. The loans outstanding by Rural Electrification Corporation moved up from Rs. 4,524 crore as at the end of March 1991 to Rs. 4,829 crore at the end of March 1992 or by 6.7 per cent.

NATIONAL BANK AND RURAL CREDIT

Sources and Uses of Funds

Resources of the National Bank

The National Bank mobilised its financial resources during 1991-92 (April-March) by borrowing from the Reserve Bank of India under the General Lines of Credits (GLC—I and II). Contributions made out of the operating surpluses of the Reserve Bank of India and the National Bank to the two National Rural Credit Funds, viz., National Rural Credit (Long-term Operations) Fund and National Rural credit (Stabilisation) Fund, accretions to the reserves and market borrowings mainly augmented the resources. The aggregate net resources mobilised by the National Bank during 1991-92 amounted to Rs. 1,821 crore as indicated in Table VII-36.

During 1991-92, the Reserve Bank contributed Rs. 400 crore to NRC (LTO) Fund and Rs. 20 crore to NRC (Stabilisation) Fund out of its profits, as compared with Rs. 375 crore and Rs. 10 crore, respectively, in the previous year. Similarly, NABARD also contributed Rs. 515 crore to NRC (LTO) Fund and Rs. 20 crore to NRC (Stabilisation) Fund during the year as compared with Rs. 400 crore and Rs. 20 crore, respectively, in the previous year. Net borrowings from the Reserve Bank of India for short-term lending operations during 1991-92 (April-March) amounted to Rs. 631 crore as against the decline of Rs. 560 crore witnessed during 1990-91. the Reserve Bank, under two General Lines of Credit, sanctioned Rs. 3,350 crore under Section 17(4E) of the Reserve Bank of India Act, 1934 (Rs. 2,700 crore under GLC—I and Rs. 650 crore under GLC—II), for financing Seasonal Agricultural operations (SAO) and for purposes other than SAO, respectively.

The gross borrowings from the Government of India during the period (April-March) amounted to Rs. 12 crore. If repayments of Rs. 139 crore during the period are taken into account, there was a net reduction of Rs. 127 crore as against the net reduction of Rs. 194 crore in the previous year.

NABARD resorted to market borrowings during 1991-92 (April-March) to the extent of Rs. 99 crore by issuing the Eleventh Series of the NABARD Bonds at par, having maturity period of 20 years and carrying an interest rate of 12 per cent per annum. As there was no redemption during the period, the net borrowings amounted to Rs. 99 crore during 1991-92 as against Rs. 90 crore during 1990-91.

The National Bank continued to receive deposits from tea companies under Investment Deposit Account Scheme, 1986 (Tea). Deposits were also received by NABARD earlier under the Special Loan Account for financing ineligible farmers under Command Area Development Authority (CADA) Projects. The balance outstanding under this head of account were Rs. 19.47 crore from the Central Government and Rs. 11.16 crore from the State Governments, respectively, at the end of March 1992.

Progress of Externally Aided Projects

The National Bank has been associated with the implementation of 48 externally aided projects (of which, 42 have been closed/completed as on 31 March 1992) with external assistance from international aid agencies since 1969. Out of these 48 Projects, 41 were assisted by the World Bank Group (including 5 General Lines of Credit); and two each supported by the International Fund for Agricultural Development (IFAD), Rome, the Organisation of Petroleum Exporting Countries (OPEC) Fund for International Development, Vienna, and the Swiss Development Co-operation (SDC), and one by *Kreditanstalt fur Wiederaufbau (KFW)* of Germany. The total credit routed/ to be routed through the National Bank in respect of these projects aggregated US $ 2,851 million (including US $ 774 million under bi-lateral credits and US $ 82 million under on-going projects) as on June 30, 1992. The utilisation of credit component in respect of the completed projects by the National Bank had been US $ 1,885 million i.e., 95 per cent of the allocated amount of US $ 1,995 million.

Besides the assistance received from the World bank, the National Bank has also received assistance from seven donor countries/agencies by way of co-financing of general lines of credit. As on June 30, 1992, the National Bank has received assistance under 29 bilateral credits in various currencies aggregating an amount equivalent to US $ 774 million. Of these 29 credits, 28 have already been closed.

The National Bank's Assistance for Agriculture and Allied Activities

The National Bank, as an apex institution in the organised rural credit structure, extends assistance and supports to a broad spectrum of production activities in the rural sector. The details of financial assistance provided by the National Bank to co-operatives and the State Governments as well as the rates of interest charged are given in Table VII-37. The progress of credit facilities are reviewed in the following paragraphs:

Credit Limits

Short-term credit

During 1991-92 (July-June), the National Bank sanctioned short-term credit limits for financing seasonal agricultural operations aggregating Rs. 3,059 crore as against Rs. 3,015 crore for the year 1990-91. Of the limits sanctioned for 1991-92, limits aggregating Rs. 358 crore were sanctioned under the Oilseeds Production Programme (OPP) of the Government of India as against Rs. 300 crore in 1991-91. The outstandings to the National Bank, which stood at Rs. 1,566 crore as on June 30, 1991, increased to Rs. 1,989 crore as on June 30, 1992, registering a rise of 27 per cent. The drawals by State Co-operative Banks (SCBs) under the limits sanctioned by the National Bank showed a marginal increase from Rs. 3,179 crore in 1990-91 to Rs 3,231 crore during 1991-92. The details of term-wise/purpose-wise financial accommodations provided by the National Bank for agriculture and other activities such as marketing of crops and distribution of fertilisers etc., are presented in Table VII-37.

Medium-term credit

During the calendar year 1991, credit limits for MT agricultural purpose sanctioned by the National Bank to SCBs on behalf of CCBs and drawals against these limits amounted to Rs. 11 crore and Rs. 4 crore, respectively, as against Rs. 11 crore and Rs. 7 crore, respectively, in 1990. The outstanding amount at the end of December 1991 was lower at Rs. 12 crore as against Rs. 16 crore at the end of December 1990. The overall reduction could be attributed to a gradual switch - over by banks to financing medium-term (MT) agricultural loans under schematic lending.

Conversion Loans

During 1991-92 (July-June), SCBs/CCBs were sanctioned credit limits of Rs. 74 crore to convert

short-term (ST) agricultural loans (including rephasing and rescheduling of loans) into medium term (MT) loans due to the occurrence of crop failure following drought/floods. The credit limits sanctioned in 1991-92 were much less than Rs. 161 crore sanctioned in 1990-91. The outstandings under these limits amounted to Rs. 134 crore as on June 30, 1992 as against Rs. 278 crore as on June 30, 1991.

Long-term credit.

During the financial year 1990-91 (April-March), the National Bank sanctioned long term credit limits amounting to Rs. 34 crore to 17 State Governments to enable them to contribute to the share capital of co-operative credit institutions. Of the amount sanctioned, the drawals aggregated Rs. 28 crore. For the year 1991-92, long-term credit limits sanctioned amounted to Rs. 32 crore to 11 State Governments as against which the drawals aggregated Rs. 29 crore till March 31, 1992.

Important Policy Changes and Major Developments

Farm Sector

With the objective of making credit effective for promoting agriculture and rural development, the National Bank continued to undertake new initiatives and reorient its credit policies. The major policy initiatives taken during the year included: (i) synthesis of Service Area Plans (SAPs) with Potential Linked Credit Plans (PLPs) and the introduction of full refinance scheme in districts where such synthesis has taken place; (ii) rationalisation and liberalisation of the eligibility criteria governing release of refinance for term credit; (iii) introduction of a pilot project for providing institutional credit to weaker sections through Self Help Groups; (iv) revision of interest rates on refinance, consequent upon the upward revision in lending rates, keeping in view the need for better margins to banks particulary on loans for small amounts; and (v) issuance of guidelines to banks on new/ innovative schemes for diversification of lending under agriculture, etc.

Table VII-36 : Resources(net) Mobilised by National Bank

(Rupees crore)

Resources	1990-91 (April-March)	1991-92 (April-March)
1.	2.	3.
Reserves and Surplus	63	105
NRC (LTO) Fund	775	915
NRC (Stabilisation) Fund	30	40
Deposits	30	69
Bonds and Debentures	90	99
Borrowings from		
Government of India	(—)194	(—)127
Borrowings from RBI	(—)560	631
ARDR Scheme, 1990	692	31
Other Liabilities	(—) 21	58
Total	**905**	**1821**

Source : National Bank for Agriculture and Rural Development.

Non-farm Sector

With a view to accelerating the development of non-farm sector, certain policy initiatives were taken by the National Bank such as:

(a) introduction of new refinance schemes like (i) Small Road Transport Operator Scheme envisaging automatic refinance to all banks for financing transport vehicles for carrying farm produce and products of village industries for marketing (ii) project finance for commercial banks for financing non-agro SSI units;

(b) enlarging the scope of existing schemes by allowing refinance for modernisation of existing units, permitting SCBs to draw refinance on automatic basis in respect of their loans to industrial co-operative societies upto Rs. 7.5 lakhs;

Table VII-37 : THE NATIONAL BANK'S CREDIT TO CO-OPERATIVES AND STATE GOVERNMENTS DURING 1990-91 AND 1991-92

(Rupees Crore)

Section of the NABARD Act, 1981	Term-wise/Purpose-wise Finance	Period for which limits are sanctioned	1990-91				1991-92			
			Limits sanctioned	Drawals	Repay-ments	Out-standings	Limits sanctioned	Drawals	Repay ments	Out-standings
1	2	3	4	5	6	7	8	9	10	11
	I Short-term	**Total**	**3,647**	**4,543**	**4,941**	**2,064**	**3,732**	**4,048**	**3,702**	**2,410**
21(1)(i)/2(i)	i) (a) Seasonal Agricultural Operations (at 3% to 5% upto October 30, 1991 and 3% to 6.5% from November 1,1991)	July-June	3,015	3,179	3,723	1,566	3,059	3,231	2,808	1,989
21(1)(i)/3	(b) Out of which : For Oilseeds Production Programme	July-June	300	262	277	172	358	293	253	212
	(c) Interim limits for creation of non-overdue cover in respect of SAO	July-June	–	–	–	–	–	–	–	–
21(1)(i)/3(b)	ii) Marketing of crops other than cotton and kapas (at Bank Rate from June 1978) Includes Produce (Marketing) Loan Scheme	July-June	15	3	–	3	12	–	3	–
	iii) Marketing of cotton and kapas including monopoly procurement of cotton (at Bank Rate from June 1978)	July-June	7	–	–	–	7	–	–	–
21(1)(ii)/3(b)	iv) Purchase and distribution of fertilisers (at 1% above Bank Rate from June 1978)	January-December	64	108	69	50	71	122	137	35
21(1)(v)/3(a)	v) (a) Production and Marketing of Handloom Products (at 2½% below Bank Rate from March 1978)	April-March	382	1,023	1,000	324	452	582	562	344
	(b) Interim limits for creation of non-overdue cover in respect of weavers' societies	April-March	–	–	–	–	–	–	–	–
	vi) Financing of other cottage and small scale industries (2 $\frac{1}{2}$% below Bank Rate from March 1978) $	April-March	20	15	14	15	16	13	15	13
21(1)(iv)/21(4)	vii) Purchase and sale of Yarn (at Bank Rate)	April-March	20	97	101	10	19	80	84	6
21(1)(iii)/21 (3) (a) & (b)	viii) Against pledge of sugar (at 5% above Bank Rate)	July-June	115	116	26	90	90	.20	90	20
21(1)(iii)/21 (2)(i)	ix) Against pledge of securities earmarked under Agricultural Credit Stabilisation Fund for meeting SCB share in M.T. conversion loans (Bank Rate)	Specified Period	6	–	6	6	3	–	3	3
21(1)(iii)/21 (3)(a)	x) Collection and marketing of minor forest produce (Bank Rate)	July-June	3	2	2	–	3	–	–	–

Table VII-37 : THE NATIONAL BANK'S CREDIT TO CO-OPERATIVES AND STATE GOVERNMENTS DURING 1990-91 AND 1991-92 – (Concld.)

(Rupees Crore)

Section of the NABARD Act, 1981	Term-wise/Purpose-wise Finance	Period for which limits are sanctioned	1990-91				1991-92			
			Limits sanctioned	Drawals	Repay-ments	Out-standings	Limits sanctioned	Drawals	Repay ments	Out-standings
1	2	3	4	5	6	7	8	9	10	11
	II Medium-term	**Total**	**175**	**162**	**158**	**297**	**87**	**64**	**212**	**149**
24	i) Agricultural purposes (at 8.5%)	January - December	11	7	10	16	11	4	8	12
	ii) Purchase of shares in co-op. processing societies/sugar factories (at 8.5%)	January-December	3	3	–	3	2	1	1	3
22	iii) Conversion of short-term loans into Medium-term loans in scarcity affected areas including rephasement and reschedulement (Rate of interest as applicable to SAO loans converted)	July-June	161	152	148	278	74	59	203	134
	III Long-term	**Total**	**34**	**28**	**15**	**226**	**32**	**29**	**19**	**236**
27	Loans to State Governments for contribution to share capital of co-op. credit institutions (at 6%)	April-March	34	28	15	226	32	29	19	236
	Total credit (I+II+III)		**3,856**	**4,733**	**5,114**	**2,587**	**3,851**	**4,141**	**3,933**	**2,795**

– : Nil or Negligible
$: Includes financing of individual rural artisans through PACS
Source : National Bank for Agriculture and Rural Development.

(c) organising orientation meets for the benefit of officials of DICs/banks/Government departments make them aware of various schemes;

(d) assisting KVIC in modifying their schemes so as to conform them to banking norms and bringing such schemes under automatic refinance facility;

(e) constitution of an Advisory Committee for the Non-Farm Sector (NFS) to guide in the formulation of policies for promotion of non-farm sector, introduction of innovative schemes etc.,

(f) appointment of technical experts in non-farm sector at its offices for identification/ formulation and technical appraisal of schemes and conduct of surveys to estimate industrial potential and

(g) national consultation on marketing of rural non-farm products and for identifying research needs and their prioritisation in Non-Farm Sector (NFS).

Product Studies

Special studies on products having and employment (both part time and full time) potential as well as good market were conducted in respect of readymade garments, rural electronics, wheat and wheat products and leather (integrated development of slaughtering, flaying, tanning (upto wet blue stage) and meat processing at block level). The studies were aimed at preparation of bankable projects with refinance assistance from the National Bank. A few pilot projects are being guided on the basis of these studies. Similar studies on pottery and ceramics, packaging materials and building materials are being allotted to different consultants.

Small Farmers Agri-Business Consortium

It has been proposed to set up a Small Farmers' Agri-Business Consortium as an autonomous entity funded by the Reserve Bank of India, NABARD and Industrial Development Bank of India (IDBI) with a view to generating employment in rural areas as also imparting income generating orientation to crop and animal husbandry, agro-forestry, fisheries, agro-processing and agro-based industries/sectors. The consortium will consist of representatives from various Development Boards dealing with individual crops and public sector corporations related to agriculture and agro-industries, private sector companies, banks, scientific organisations and farmers' associations. On the basis of the recommendations of experts, ten areas have been identified where India has comparative advantages by global standards, namely, food crops, oilseeds, cotton, sugarcane, horticulture, sericulture, dairy development, poultry, aqua-culture and agro-forestry, medicinal plants, spices and biological software for suitable agriculture.

The consortium will be headed by a whole time Managing Director. There will be high level policy and planning body at the central level to provide direction and Government support. The consortium will identify about 15 Small Farmers' Agri Busines Programme areas, each based on a continous agro-ecological area surrounding a designated district.

Policy Initiatives in Credit Management

Relaxations in credit discipline under ARDR scheme and separate lines of credit for Oilseeds Production Programme (OPP) and other special programmes initiated recently have already been covered in the last year's Report. Other policy changes during the year are detailed below:

Sanction of single credit limit

From the year 1991-92, National Bank sanctioned a single credit limit for the whole year for meeting the credit requirements of both *Kharif* and *Rabi* seasons. However, the National Bank would be prepared to consider sanctioning additional limits in case the banks find that the existing limits are not adequate. This was done to avoid delays in sanction of credit limit and to facilitate timely flow of credit.

Lending Rates for Farm and Non-Farm Sector

During the year, the Reserve Bank of India effected upward revisions in the interest rates on loans and advances by the banks on four occasions and, therefore, the interest rates to be charged by the banks on loans for agriculture and rural

development activities were also correspondingly changed. The latest interest rates effective March 2, 1992 are indicated below:

(Effective March 2, 1992)

Loan Limit	Interest Rate per annum (per cent)		
	ST & MT Loans (all purposes)	Term Loans (Agriculture & Allied Activities)	Term Loans (Cottage, Village, Tiny & Small Scale Industries & Transport Operators upto two vehicles)
Upto Rs. 7,500	11.5	11.5	11.5
Rs. 7,501 to Rs. 15,000	13.0	13.0	13.0
Rs. 15,001 to Rs. 25,000	13.5	13.5	13.5
Rs. 25,001 to Rs. 50,000	15.5	14.0	14.0
Rs. 50,001 to Rs. 2,00,000	16.5	15.0	15.0
Rs. 2,00,001 to Rs. 7,50,000	19.0 (min.)	15.0 (min.)	16.5 *
Above Rs. 7,50,000	19.0 (min.)	15.0 (min.)	18.0 *

* Except these rates all other rates were fixed in line with the rates prescribed by RBI

Under the interest rate structure so fixed, the banks could charge any interest rate on term loans exceeding Rs. 2 lakhs for agriculture and allied activities subject to a minimum of 15 per cent. This resulted in a wide divergence in the rates of interest charged, even for the same purpose by different banks. In order to bring about a measure of uniformity in lending rates, there was a consensus among the bankers that rate of interest on loans exceeding Rs. 2 lakhs should be fixed as indicated below:

Purpose	Rate of Interest
a) Wasteland development, rainfed/dryland farming, 100 per cent export oriented projects including processing schemes (other than tea, coffee, rubber and spices) and minor irrigation schemes implemented by co-operatives/public sector corporations.	15 per cent
b) All other schemes supported by the National Bank	16.5 per cent

The Land Development Banks (LDBs) preferred to charge interest at the minimum level of 15 per cent on term loans exceeding Rs. 2 lakhs for agriculture and allied activities.

The commercial banks and regional rural banks were advised by the National Bank that the rates of interest on short-term loans for agriculture and rural development routed through Primary Agricultural Credit Societies (PACS)/Large Sized Adivasi Multi-Purpose Societies (LAMPS)/ Farmers' Service Societies (FSS) should be 2.5 percentage points lower than the rates charged to the ultimate borrowers by the concerned societies.

Consequent upon revision of lending rates to be charged to the ultimate borrowers and upward revision in the rates of interest on deposits, the National Bank refixed the rates of interest to be charged at the various levels of the short-term co-operative credit structure and the rate of interest on refinance. While refixing the rates of interest, the recommendations of the Agricultural Credit Review Committee (ACRC) for providing adequate margins to different credit institutions have been taken into account.

The interest rate on SAO loans to be charged by CCBs to PACS has accordingly been refixed by the National Bank at 9 per cent per annum with effect from November 1, 1991. The rates of interest to be charged by the SCBs to CCBs and on the refinance provided by the National Bank to the SCBs for SAO loans with effect from November 1, 1991 has also been refixed, based on their level of borrowings from higher financing agencies.

The National Bank also revised refinance rates to SCBs for financing medium-term (non-schematic) loans for approved agricultural purposes and medium-term loans for purchase of shares in co-operative processing societies to 8.5 per cent per annum with effect from November 1, 1991 in both the cases. The above rate of interest on refinance will also be applicable to the outstanding refinance as on November 1, 1991.

The National Bank also revised the rates of interest on the refinance provided to RRBs for ST

(SAO) loans at 6.5 per cent per annum, and at 8.5 per cent per annum for ST (other than SAO) and MT (Non-Schematic) loans with effect from November 1, 1991.

State Land Development Banks (SLDBs)

Lending Programme and Resources of SLDBs

The major sources of funds for SLDBs are the special development debentures and ordinary debentures. The debenture programme of SLDBs is finalised by the National Bank.

The total lending programme of SLDBs for the year 1991-92 (April-March) was fixed at Rs. 881 crore as compared with Rs. 902 crore in 1990-91. The resources for this programme were raised mainly by floatation of special development debentures to the extent of Rs. 771 crore during the year as against Rs. 793 crore during the preceding year and subscribed by the National Bank and Central and the State Governments.

The ordinary debentures programme was supported by institutional investors. The programme and targets under both types of debentures for the year 1992-93 and the support received for this programme are given in Table-VII-38. The ordinary debentures with 15 year maturity period will carry interest rate of 11.5 per cent, while those having 20 year maturity period will bear an interest rate of 12.0 per cent per annum.

National Banks Long-term Refinance Assistance Under various Schemes

During the period 1991-92 (April-March), the National Bank sanctioned 6,706 schemes involving refinance commitments of Rs. 2,236 crore as against 10,650 schemes involving Rs. 2,119 crore of refinance commitments during the preceding year. Disbursement during the year amounted to Rs. 2,054 crore as against Rs. 1,902 crore during 1990-91. As at end-March 1992, the cumulative number of schemes sanctioned by the National Bank stood at 96,219 with commitments at Rs. 20,535 crore and the disbursements aggregated Rs. 16,364 crore. Purpose-wise details are given in Table VII-39.

Table VII-38 : RESOURCES OF SLDBs (APRIL-MARCH)

(Rupees Crore)

Item	1990-91 (Achieve-ments)	1991-92 (Achieve-ments)	1992-93 Target
1	2	3	4
Lending Programme/Resources	**902**	**881**	**970**
a) Special Development Debentures			
1) Programme	793	771	872
2) Achievements	601	735	–
b) Internal Resources	NA	NA	NA
c) Ordinary Debentures			
1) Target	109	106	98
2) Actual Floatation	102	106	–
i) Subscription to ordinary debentures received from Central and State Governments	19	19	–
ii) LIC	40	40	–
iii) SBI Group	20	20	–
iv) Commercial Banks	15	14	–
v) Mutual support/self-help	8	13	–
Total amount raised [a(2) + b +c(2)]	**703**	**841**	—

Source : National Bank for Agriculture and Rural Development.

Table VII-39 : PURPOSE-WISE SANCTIONS AND DISBURSEMENTS AND REFINANCE BY NABARD (APRIL-MARCH)

(Rupees Crore)

Purpose	1990-91			1991-92			Cumulative position as on March 31,1992		
	No. of Schemes Sanctioned*	Commit-ments	Disburse-ments	No. of Schemes Sanctioned*	Commit-ments	Disburse-ments	No. of Schemes Sanctioned*	Commit-ments	Disburse-ments
1	2	3	4	5	6	7	8	9	10
Minor Irrigation	6,570	528	496	2,255	444	502	38,574	7,383	5,740
Land Development/CAD	102	25	16	88	15	14	2,313	523	319
Farm Mechanisation	–	338	338	45	389	381	11,291	2,892	2,731
Plantation/Horticulture	1,089	143	94	1,216	166	99	10,334	1,482	792
Poultry/Sheep breeding/Piggery	1,028	94	73	1,148	119	85	8,675	679	459
Fisheries	313	30	21	396	52	31	3,659	401	216
Dairy Development	1,059	158	73	1,043	124	84	8,177	880	523
Storage/Market Yards	22	10	14	37	13	9	2,015	327	291
IRDP	–	602	602	–	661	647	–	4,607	4,290
Others $	467	191	175	478	253	202	11,181	1,361	1,003
Total	**10,650**	**2,119**	**1,902**	**6,706**	**2,236**	**2,054**	**96,219**	**20,535**	**16,364**

$: Includes Bio-gas, Forestry, Non-Farm sector, SCAP/STAP, Animal Driven carts, etc.
* : Excludes schemes sanctioned under ARF
Source : National Bank for Agriculture and Rural Development.

Among several purposes, IRDP accounted for the largest share of commitments as well as refinance disbursements. Next in importance was minor irrigation which had the highest number of schemes sanctioned, amounts committed and disbursed. Details of purpose-wise sanctions/ commitments/disbursements are given in Table VII-39. Agency-wise, the shares of state land development banks, scheduled commercial banks, regional rural banks and state co-operative banks in the National Bank's disbursements stood at Rs. 658 crore (32.0 per cent), Rs. 952 crore (46.3 per cent), Rs. 295 crore (14.4 per cent) and Rs. 149 crore (7.3 per cent), respectively, during 1991-92 (Table VII-40).

Region-wise, while shares of Southern, Nothern, Eastern and Western regions recorded no changes during the year, the North-Eastern region showed a decline of 1 per cent whereas Central region recorded a rise of 1 per cent in the disbursement of refinance by NABARD (Table VII-41). The National Bank continued to pursue the policy of development and promotion of agricultural investments in the less developed and/or underbanked states. The disbursements in these states rose from Rs. 821 crore in 1990-91 to Rs. 928 crore in 1991-92 and formed 45.2 per cent of the total disbursement at all-India level as against 43.2 during the preceding year (Table VII-42).

Integrated Rural Development Programme

Launched in the Sixth Five Year Plan (October 2, 1980) all over the country, the Integrated Rural Development Programme (IRDP) continues to be a major poverty alleviation programme in the field of rural development. The objective of the IRDP is to enable the identified rural poor families to earn more than what is implied by the poverty line.

During the year 1991-92 (up to December 1991), though 22.52 lakh families were targeted to be assisted with an allocation of Rs. 703.61 crore, 14.99 lakh families, including SC/ST families were assisted and the total expenditure, including States' share amounted to Rs. 481.56 crore. The progress of IRDP during the Seventh Five Year Plan as well as the first two years of the Eighth Plan is given in Table VII-43.

National Bank's Refinance under Integrated Rural Development Programme

The National Bank's refinance assistance during 1991-92 (April-March) under IRDP amounted to Rs. 647 crore (disbursements) as against Rs. 602 crore in the same period last year.

The commercial banks continued to avail the largest share of refinance recording a rise of Rs. 33 crore from Rs. 309 crore in 1990-91 to Rs. 342 crore in 1991-92. Disbursements by SCBs showed a rise of Rs. 22 crore over previous year. Share of SLDBs recorded a marginal rise of Rs. 2 crore to Rs. 14 crore in 1991-92 compared to Rs. 12 crore in 1990-91. However, disbursements by RRBs recorded a fall of Rs. 12 crore from Rs. 234 crore in 1990-91 to Rs. 222 crore in 1991-92. The industry, services and business (ISB) components accounted for Rs.259 crore as against Rs. 268 crore last year-a fall of Rs. 9 crore (Table VII-44).

Strengthening and Future Development of Co-operative Credit Structure

The Agricultural Credit Review Committee (ACRC) has made comprehensive recommendations for improving the rural credit structure in the country. The recommendations were at various stages of consideration/ implementation during the year.

Reorganisation of PACS

The process of reorganisation of PACS has been completed in all the States except in Maharashtra and the Kashmir Region of Jammu & Kashmir. Though the Government of Maharashtra had appointed a Committee of officials of the co-operation department to suggest suitable viability norms for PACS, the re-organisation process had not commenced so far. The model for re-organisation favoured by the National Bank envisages an area of operation of 5 km. radius and a potential loan business of Rs. 13.50 lakhs for the reorganised socieites. Even in States where reorganisation is said to be complete, the prescribed norms do not appear to have been achieved as the average ST loans

Table VII-40: AGENCY-WISE SANCTIONS AND DISBURSEMENTS OF REFINANCE ASSISTANCE BY THE NATIONAL BANK, DURING 1990-91 AND 1991-92 (APRIL-MARCH)

(Rupees Crore)

Agency	Number of Schemes *		Financial Assistance		National Bank's Commitments		Disbursements by National Bank		Cumulative position as on March 31, 1992			
	1990-91 (April-March)	1991-92 (Aapril-March)	1990-91 (April-March)	1991-92 (April-March)	1990-91 (April-March)	1991-92 (April-March)	1990-91 (April-March)	1991-92 (April-March)	No. of Schemes	Financial Assistance by agencies	National Bank's Commit-ments	Disburse-ment by National Bank
1	2	3	4	5	6	7	8	9	10	11	12	13
1. State Land Development Banks	5,719	2,397	846	813	746	694	565	658	31,933	8,440	7,372	5,652
2. Scheduled Commercial Banks	4,395	3,516	1,486	1,583	950	1,037	934	952	56,673	13,970	9,888	7,923
3. Regional Rural Banks	227	410	312	356	280	320	288	295	4,749	2,522	2,229	2,012
4. State Co-operative Banks	309	383	163	205	143	185	115	149	2,864	1,189	1,046	777
Total	**10,650**	**6,706**	**2,807**	**2,957**	**2,119**	**2,236**	**1,902**	**2,054**	**96,219**	**26,121**	**20,535**	**16,364**

* : Excludes schemes sanctioned under Automatic Refinance Facility.

Source : National Bank for Agriculture and Rural Development.

business of PACS in many States continue to be much below the level of Rs. 10 lakhs prescribed by the National Bank earlier. A study conducted by National Bank in 6 representative districts of Orissa out of the 13 districts in the State, for example, revealed that the reorganisation was not in conformity with Reserve Bank of India guidelines and most of the PACS continued to have very low short-term loan business. In 5 out of the 6 districts, the average area too was less than the minimum of 2000 hectares per PACS.

Planning for the future of re-organised PACS

Business Development Plan for PACS

In the first phase of implementation of the programme of Business Development Plans for PACS, launched by Government of India during 1991-92, all personnel from District Central Co-operative Banks (DCCBs) were imparted necessary training in the preparation of BDPs for PACS. So far, about 11,500 PACS have been identified in various States/Union Territories for implementation of the programme during 1991-92. The programme is expected to cover, in phases, all the PACS in the country by the end of the Eighth five year plan.

Deposit Insurance Scheme for PACS

During the year, the Model Guarantee Scheme for deposits of PACS was finalised by the Government of India and circulated among all the State Governments for adoption with suitable modifications that may be necessary to meet local needs. The details of the Model Scheme, which was based on a similar Scheme in existence in Tamil Nadu, were already provided in the previous report.

Democratisation and professionalisation of the co-operative institutions

The ACRC had observed that there has been increasing officialisation of management in the higher tiers of co-operatives. As these officials were also subjected to frequent transfers, it has resulted in poor professionalisation in the co-operative credit institutions. National Bank has, therefore, been impressing upon the State

Table VII-41 : REGION-WISE DISBURSEMENTS AND REFINANCE BY NABARD DURING 1990-91 AND 1991-92 (APRIL-MARCH)

Region	1990-91 (April-March)		1991-92 (April-March)	
	Amount (Rs. Crore)	Percentage to Total	Amount (Rs. Crore)	Percentage to Total
1	2	3	4	5
Northern	290	15	307	15
North-Eastern	49	3	40	2
Eastern	204	11	228	11
Central	475	25	540	26
Western	327	17	349	17
Southern	557	29	590	29
Total	**1,902**	**100**	**2,054**	**100**

Northern Region : Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab and Rajasthan.

North-Eastern Region : Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Arunachal Pradesh.

Eastern Region : Sikkim, Bihar, Orissa, West Bental and Andaman & Nicobar Islands.

Central Region : Madhya Pradesh and Uttar Pradesh.

Western Region : Goa, Daman & Diu, Dadra & Nagar Haveli, Gujarat and Maharashtra.

Southern Region : Andhra Pradesh, Karnataka, Kerala, Pondicherry, and Tamil Nadu.

Source : National Bank for Agriculture and Rural Development.

Table VII-42 : DISBURSEMENTS OF REFINANCE BY NABARD TO LESS DEVELOPED AND/OR UNDER-BANKED STATES DURING 1990-91 AND 1991-92 (APRIL-MARCH)
(Schematic Lending)

(Rupees Crores)

State/Union Territories	1990-91	1991-92
1	2	3
Uttar Pradesh	339	382
Madhya Pradesh	135	159
Bihar	81	89
Rajasthan	80	104
Orissa	39	43
Jammu & Kashmir	6	6
West Bengal	82	94
Assam and other North-Eastern States	49	40
Himachal Pradesh	9	10
Andaman and Nicobar Islands	1	–
Sikkim	–	1
(A) Total	**821**	**928**
(b) Total disbursements (All India)	**1,902**	**2,054**
Percentage of A to B	**43.2**	**45.2**

Source : National Bank for Agriculture and Rural Development.

Table VII-43 : PROGRESS OF INTEGRATED RURAL DEVELOPMENT PROGRAMME

Item	Unit	During VII Five Year Plan	1990-91	1991-92 [P] (upto 30-12-1991)
1	2	3	4	5
1) Central Allocation	Rs. Crore	1,513.84	374.56	352.66
2) Central Releases	"	1,397.00	346.59	222.32
3) Total Expenditure including state's share	"	3,315.82	809.49	481.56
4) Term credit Disbursed	"	5,372.53	1,190.03	681.63
5) No. of families assisted Of which :	in lakhs	181.77	28.98	14.99
6) No. of SC/ST	"	81.97	14.46	7.42

P : Provisional
Source : Ministry of Agriculture, Department of Rural Development, Government of India and Rural Development Statistics

Table VII-44 : NATIONAL BANK'S REFINANCE ASSISTANCE UNDER IRDP DURING 1990-91 AND 1991-92 (APRIL-MARCH)

(Rupees Crore)

Agency	Disbursements		Cumulative Assistance
	1990-91	1991-92	Upto end of March 1992
1	2	3	4
SLDBs	12	14	118
	(-)	(-)	(-)
Commercial Banks (excluding RRBs)	309	342	2,179
	(133)	(138)	(834)
RRBs	234	222	1,594
	(120)	(98)	(805)
SCBs	47	69	399
	(15)	(23)	(113)
Total	**602**	**647**	**4,290**
	(268)	**(259)**	(1,752)

Note : Figures in brackets indicate disbursements for ISB Component.
Source : National Bank for Agriculture and Rural Development.

Governments, the need to ensure the maintenance of the democratic character of these institutions and development of professionalism in their management. The Reserve Bank has also, in line with the recommendations of the ACRC, suggested that the State Governments may carry out necessary amendments to the State Co-operative Societies Acts to incorporate suitable provisions for consulting National Bank before appointment and removal of the Chief Executives of the co-operative banks. Despite these, elected boards of management in one or more tiers of the co-operative structure stood superceded in as many as 13 States.

Imbalances in the co-operative credit structure

A disturbing feature observed in the loaning operations of many DCCBs in various States is that their agricultural loans and medium-term loans to PACS are not fully covered by corresponding loans. for the same purpose outstanding against ultimate borrowers at the PACS level. The recovery of such uncovered loans by DCCBs is uncertain. Such imbalances exist in the long-term credit structure as well. An in-depth examination of the problem revealed that apart from the accounting procedures, imbalances were the result of factors like, low rate of recoveries, low interest rates and inadequate margins on agricultural loans, low levels of business and escalating costs of managements.

The National Bank during the year examined the problem of imbalances in the co-operative credit structure and has evolved an accounting procedure for getting the existing imbalances reflected in the books of accounts of the higher tiers of the co-operative credit structure so as to attract Government assistance for mitigating the problem. As a long-term measure, it was considered necessary to create viable credit institutions at the ground level by reorganising the PACS and PLDBs and improving their recoveries through active support from State Governments. The Ministry of Agriculture, Government of India concurring with the need for the procedural changes has suggested for implementation of the proposals in a phased manner to avoid dislocation of the existing credit delivery system.

Special package programme for DCCBs having critical financial position

The poor financial position of the DCCBs/SCBs in two-tier not complying with the provisions of section 11 (1) of the Banking Regulation Act, 1949 in respect of minimum paid up capital and reserve requirements has been a cause of concern. Therefore, quick studies were conducted by National Bank to assess the status of such banks after the implementation of ARDR Scheme 1990. It was observed that as against 30 DCCBs/SCBs not complying with the provisions of the above mentioned section prior to the implementation of

the ARDR Scheme, 1990, the status of 11 DCCBs remained unchanged even after receipt of massive amounts under ARDR Scheme. With a view to improving the position of a few of these banks, which were in a very bad shape, special package programmes for each of them envisaging State Government, assistance in the form of additional share capital contribution, conversion of existing loans from State Governments and apex banks into equity and grants-in-aid from State Governments for strengthening bad and doubtful debt reserves etc., were proposed to the State Governments concerned.

Institutional Strengthening Programme (ISP)

As recommended by the ACRC, an Institutional Strengthening Programme (ISP) is proposed to be introduced in place of the earlier rehabilitation programme. Co-operative banks, both in short-term and long-term credit structure coming under the category of non-solvent (i.e., whose owned funds are completely eroded by bad and doubtful debts and accumulated loss) and 'near non-solvent' banks (i.e., whose owned funds stand notionally eroded by bad and doubtful debts, accumulated losses and 50 per cent of the other overdues over 3 years) would be taken up under the ISP to make them solvent and viable within a period of say, 3 to 5 years. The banks which are unlikely to be converted into viable banks within 3/5 years or those which fail to become viable even after the implementation of ISP, would be, as per the ISP, denied refinance facility by NABARD and alternate arrangements to maintain credit flow in the area of operation of these banks will be made. The programme components and other guidelines for ISP have been prepared and are being finalised in consultation with the Government of India/RBI and others concerned.

Eligibility criteria for drawing refinance from National Bank under schematic lending

The eligibility criteria for drawing refinance from National Bank under schematic lending during the financial year 1992-93 are similar to those relating to the year 1991-92. The relaxation given during 1991-92 for treating relief to identified beneficiaries under the ARDR Scheme, 1990 as recoveries for the purpose of refinance would be continued for the year 1992-93 also. The details were already provided in the previous report.

Assistance from Research and Development (R&D) Fund of the National Bank

During the fiscal year 1991-92, 7 more RRBs were admitted under the National Bank's scheme for RRBs/SLDBs/SCBs for setting up and strengthening Technical, Monitoring and Evaluation (TME) Cells, thereby raising the total number of RRBs assisted under the scheme to 94. The number of SLDBs and SCBs availing of assistance remained unchanged at 13 and 4, respectively. Under the scheme, an assistance to the tune of Rs. 35.07 lakhs was provided to RRBs/ SLDBs/SCBs during the period. The scheme envisages provision of assistance for five years and thereafter the banks are expected to continue the cells on their own. However, in view of the continued weak financial base and rise in overhead expenses of RRBs, it was decided in 1988 to extend the period of assitance, on merit of each case to enable the banks to continue the cells and bring about a qualitative improvement and diversification in their loan portfolio. Accordingly, 11 RRBs have been allowed extension for a further period of five years.

Assistance by way of grant from the R&D Fund was provided during the year to institutional agencies and individulas (sponsored by institutions) for undertaking research studies, organising seminars, conferences, workshops etc., covering a wide range of subjects/ topics having a bearing on the National Bank's interest. During the period April 1991 — March 1992, National Bank extended support to 7 new projects and 11 conferences/seminars. The total financial assitance disbursed from the R&D Fund during the period amounted to Rs. 88.89 lakhs, including Rs. 48.81 lakhs towards projects, 0.91 lakhs towards assistance to Self Help Groups/rehabilitation of weak SLDBs/SCBs and Rs. 4.10 lakhs for seminars.

Licensing of Co-operative Banks

During the year 1991-92, two State-Co-operative Banks were issued licence to carry on banking business under Section 22 of the Banking Regulation Act, 1949. With this, the total number of licensed SCBs stood at 10; no DCCB was issued licence during the year. Licences were issued to 12 PCBs (7 new banks and 5 existing banks) during June 1991 to end-March 1992. Two PCBs were taken into liquidation. The total number of licensed banks thus increased to 1,089 comprising 10 SCBs, 40 CCBs, and 1,039 PCBs (Table VII-45).

Further, licences have been issued to 2 SCBs to open branches at 6 centres in their respective area of operation under Section 23 of the Banking Regulation Act, 1949.

Comprehensive Crop Insurance Scheme

The Comprehensive Crop Insurance Scheme (CCIS), introduced throughout the country from *Kharif* 1985 has been implemented by the General Insurance Corporation of India (GIC) on behalf of the Government of India in collaboration with the State Governments. The details of the progress made under the scheme from 1985 onwards are given in Table VII-46. During 1990-91, 16 States implemented the Scheme covering 7.93 lakh farmers for about 10.70 lakh hectares; involving a sum insured amounted to Rs. 196.27 crore. The total insurance charges amounted to Rs. 3.50 crore. As for *Kharif* 1991, 17 States participated in the scheme covering 37.47 lakh farmers. The sum insured aggregated Rs. 929.88 crore.

Commercial Banks and Rural Credit

Commercial banks have been providing credit to the rural sector on an increasing scale since the nationalisation of 14 major commercial banks. As at end-March 1992, the share of public sector banks' priority sector advances in the total credit stood at 39.8 per cent, very close to the target of 40 per cent.

The outstanding advances of public sector banks to priority sectors, direct advances to agriculture, and outstanding advances to weaker sections are given in Table VII-47. It could be observed therefrom that the outstanding direct advances of public sector banks to agriculture aggregated Rs. 16,926 crore as compared to

Table VII-45 : LICENCES ISSUED TO CO-OPERATIVE BANKS DURING 1989-90, 1990-91 AND 1991-92 (JULY-JUNE)

Item	1989-90				1990-91				1991-92			
	SCBs	CCBs	PCBs	Total	SCBs	CCBs	PCBs *	Total	SCBs	CCBs	PCBs	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
Lincences issued to carry on/commence banking business	..	3	297	300	–	–	307	307	2	–	315	317
No. of Licensed banks at the end of the year	8	40	1,013	1,061	8	40	1,028	1,076	10	40	1,039	1,089
Licences issued for opening new offices	3 (3)	..	52 (54)	55	3 (5)	–	55 (63)	58	2 (6)	–	8 (8)	8

Note : Figures in brackets indicate the number of branches for which licences were issued.
.. : Not available
* : Position as on June 30, 1992. 49 PCBs were under liquidation.
– : Nil or Negligible
Source : Reserve Bank of India.

Table VII-46 : PROGRESS OF CROP INSURANCE SCHEME

Season	No. of States & UTs Implementing	No. of Farmers Covered (lakhs)	Area Covered (lakh hectares)	Sum insured (Rs. crore)	Total insurance Charges (Rs. crore)	Claims paid (Rs. crore)
1	2	3	4	5	6	7
Kharif 1985	11 + 2	26.36	53.74	542.73	9.42	84.14
Rabi 1985-86	14 + 2	12.12	23.18	238.41	4.48	3.11
Kharif 1986	15 + 3	39.56	77.40	856.20	14.99	169.37
Babi 1986-87	15 + 2	11.28	20.99	242.37	4.51	4.58
Kharif 1987	18 + 3	46.32	84.11	1,140.68	19.10	277.39
Rabi 1987-88	17 + 2	21.28	32.36	475.44	8.85	12.07
Kharif 1988	13 + 0	29.64	52.35	547.88	8.82	29.18
Rabi 1988-89	9 + 0	8.73	10.13	164.10	3.12	3.87
Kharif 1989	15 + 2	42.26	66.45	873.89	14.48	34.35
Rabi 1989-90	16 + 1	6.60	9.59	151.56	2.76	2.88
Kharif1990	17 + 0	19.43	34.09	515.15	7.66	11.95
Rabi 1990-91	16 + 0	7.93	10.70	196.27	3.50	N.A.
Kharif 1991	17 + 0	37.47	68.24	929.88	14.40	N.A.

N.A. = Not Available
Source: General Insurance Corporation.

Table VII-47 : OUTSTANDING ADVANCES OF PUBLIC SECTOR BANKS

(Rupees Crore)

Item	End-March 1989	End-March 1990	End-March 1991	End-March 1992
1	2	3	4	5
i) Outstanding advances to priority sectors	34,623	39,418	42,276	44,581
Percentage to total credit	44.3	43.2	40.0	39.8
ii) Outstanding direct advances to agriculture	12,833	15,082	15,857	16,926
Percentage to total credit	16.4	16.5	15.0	15.1
iii) Outstanding advances to weaker sections	8,459	9,897	10,260	10,881
Percentage to priority sector advances	24.4	25.1	24.3	24.4
Percentage to total credit	10.8	10.9	9.7	9.7

Source: Reserve Bank of India

Rs. 15, 857 crore as at end-March 1991. The advances outstanding to weaker sections during the same period amounted to Rs. 10,881 crore as against Rs. 10,260 crore.

Disbursements of Credit for Agriculture and Allied Activities

During 1990-91 (July-June) credit disbursed for agriculture and allied activities by scheduled commercial banks amounted to Rs. 4,675 crore recording an increase of Rs. 393 crore or 9.2 per cent over the amount disbursed during 1989-90 (Rs. 4,282 crore). A major portion of the credit (Rs. 3,001 crore or 64.2 per cent) was disbursed by nationalised banks during 1990-91.

The State Bank of India group accounted for Rs. 1,494 crore (32.0 per cent) and foreign and other scheduled commercial banks accounted for Rs. 180 crore (3.8 per cent) (Table VII-48).

Purpose-wise Disbursement

During 1990-91 (July-June), short-term loans aggregating Rs. 2,047 crore were disbursed by scheduled commercial banks (excluding RRBs) which formed 43.8 per cent of the total loans disbursed. Disbursements of term loans for agriculture and allied activities amounted to Rs. 2,628 crore. Among term loans for agriculture which accounted for Rs. 1,867 crore, tractors and agricultural implements and machinery accounted

Table VII-48 : DISBURSEMENTS OF CREDIT FOR AGRICULTURE AND ALLIED ACTIVITIES BY SCHEDULED COMMERCIAL BANKS DURING 1987-88 TO 1990-91 (JULY-JUNE)

(Rupees Crore)

Category of Banks	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5
Nationalised Banks	2,247	2,366	2,681	3,001
	(63.7)	(62.0)	(62.6)	(64.2)
State Bank of India Group	1,142	1,296	1,446	1,494
	(32.4)	(34.0)	(33.8)	(32.0)
Foreign and other Scheduled Commercial Banks	137	151	155	180
	(3.9)	(4.0)	(3.6)	(3.8)
Total	**3,526**	**3,813**	**4,282**	**4,675**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**

Note: Figures in brackets indicate the share of each category of banks in the total loans disbursed.
Source: Data Collected by RBI under Special Return-I.

for the bulk amounting to Rs. 847 crore. The minor irrigation schemes accounted for Rs. 347 crore. The details of purpose-wise disbursements of loans are given in Table VII-49.

Region-wise Disbursement

Region-wise, Southern region continued to account for bulk of the credit disbursed; its share in the total credit disbursement stood at Rs. 2,186 crore or 46.8 per cent. The share of Central region accounted for Rs. 792 crore or 17.0 per cent followed by Western region (Rs. 647 crore or 13.8 per cent) (Table VII-49).

Agricultural Credit Stabilisation Fund

The Scheme is for assisting the co-operative banks in providing relief to the farmers by way of conversion of short-term loans into medium-term loans when crop loss is 50 per cent or more on account of natural calamities. The amount required for conversion is provided by NABARD (60 per cent), State Governments (15 per cent) and state co-operative banks/central co-operative banks (25 per cent). For this purpose, a credit stabilisation fund is built at the state co-operative banks level. The deficit in the fund, if any, is being met to the extent possible by the Government of India. During 1991-92, a sum of Rs. 3.00 crore was released by the Central Government to various States under the Scheme. For the year 1992-93, a sum Rs. 3.72 crore has been provided.

Scheme of Assistance to Co-operative Credit Institutions in the Co-operatively under-developed States (Non-overdue Cover Scheme)

The Centrally-sponsored scheme introduced during the year 1974-75 seeks to provide Central assistance to DCCBs/SCBs to meet the deficit in non-overdue cover in co-operatively under-developed states, tribal areas, drought-prone areas, areas selected for Special Rice Production Programme (SRPP), Oilseeds Production Programme (OPP) and other special programmes such as Special Foodgrains Production Programme (SFPP). During the year 1991-92, a sum of Rs. 8.41 crore has been released to various states under the Scheme; for the year 1992-93 there is a budgetary provision of Rs. 7.00 crore.

Risk Fund for Consumption Credit

Effective 1977-78, the Risk Fund for Consumption Credit has been operating as a non-plan scheme covering all the States and Union Territories. Under the Scheme, the commercial banks, co-operative banks, and RRBs are expected to extend consumption credit to the weaker section in the rural areas.

During 1991-92, an amount of Rs. 25 lakh was released for 10 States and a budget provision of Rs. 25 lakh has been made for the year 1992-93.

Table VII-49 : PURPOSE-WISE/REGION-WISE DISRIBUTION OF CRDIT BY SCHEDULED COMMERCIAL BANKS DURING 1990-91 (JULY-JUNE)

(Rupees Crore)

Purpose	Northern Region	North-Eastern Region	Eastern Region	Central Region	Western Region	Southern Region	Total
1	2	3	4	5	6	7	8
I. Short-term Loans (including crop loans)	**106**	**4**	**105**	**160**	**228**	**1,444**	**2047**
	(5.2)	(0.2)	(5.1)	(7.8)	(11.1)	(70.6)	(100.0)
	(17.4)	(16.0)	(25.4)	(20.2)	(35.2)	(66.1)	(43.8)
II. Term Loans (A+B)	**504**	**21**	**310**	**632**	**419**	**742**	**2628**
	(19.1)	(0.8)	(11.8)	(24.1)	(15.9)	(28.3)	(100.0)
	(82.6)	(84.0)	(74.6)	(79.8)	(64.8)	(33.9)	(56.2)
A. Loans for Agriculture	400	10	219	503	302	433	1,867
i) Minor Irrigation Schemes	30	2	52	85	75	103	347
ii) Reclamation and Land Development Schemes	3	–	2	7	7	36	55
iii) Tractors and Agricultural implements and Machinery	294	2	67	234	130	120	847
iv) Plantations	5	3	24	8	17	50	107
v) Other term loans	68	3	74	169	73	124	511
B. Loans for Allied Activities	104	11	91	129	117	309	761
i) Dairying	49	4	38	61	50	112	314
ii) Poultry Farming, Piggery and Bee-keeping	16	2	11	14	17	50	110
iii) Fisheries	1	2	9	3	9	27	51
iv) Others	38	3	33	51	41	120	286
Grand Total (I+II)	**610**	**25**	**415**	**792**	**647**	**2,186**	**4,675**
Region-wise share (Percentage)	**(13.0)**	**(0.5)**	**(8.9)**	**(17.0)**	**(13.8)**	**(46.8)**	**(100)**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

Note : i) Due to rounding off of figures, the constituent items may not add up to the total shown.
ii) Figures in the first brackets indicate the share of each region to the total loans disbursed under the main categories i.e., short-term and medium-term loans.
iii) Figures in second brackets indicate the share of each category of loans disbursed to the grand total.

Source : Data collected by RBI under Special Return-I.

Other Institutions in the Field of Rural Credit

National Co-operative Development Corporation (NCDC)

The National Co-operative Development Corporation (NCDC) continued its activities to provide financial assistance in the form of loans and subsidy to the co-operatives under the schematic pattern of assistance. The implementation of NCDC — I & II, IDA assisted projects have already been completed and the corportion is presently implementing NCDC-III. This is in addition to EEC assisted projects for mustard seed and coconut development. Further, steps have been initiated to formulate NCDC-IV project with IDA assistance for implementing, processing and marketing developments and training of personnel in agro-processing co-operative sector.

During the current year, the Corporation provided Rs. 327 crore of financial assistance as compared to Rs. 260 crore in 1990-91. It extended Rs. 219 crore for Central schemes during the year 1991-92 as against Rs. 140 crore in 1990-91 and Rs. 108 crore for corporation sponsored schemes as against Rs. 120 crore in 1990-91 (Table VII-50) State-wise, the bulk of assistance was given to Maharashtra (29 per cent) followed

Table VII-50 : NCDC's FINANCIAL ASSISTANCE (DISBURSEMENTS) FROM 1989-90 TO 1991-92 (APRIL-MARCH)

(Rupees Crore)

	Schemes/Purposes	Amount disbursed		
		1989-90	1990-91$	1991-92
	1	2	3	4
I	**Central Schemes**	**101**	**140**	**219**
	a) Co-operative Storage Programme with International aid	63	105	172
	b) Co-operative Marketing, Processing and Storage programmes in underdeveloped states/Union Territories	10	10	9
	c) Margin Money Assistance to the village societies for Distribution of consumer Articles in Rural Areas	2	2	2
	d) Finance for Co-operative Sugar Factories, Co-operative Spinning Mills, NAFED, etc.	26	16	36
	e) Miscellaneous	–	1	–
II.	**Corporation Sponsored Schemes**	**121**	**120**	**108**
	a) Storage	18	8	4
	b) Agro-processing	53	64	53
	c) Weaker Sections	21	22	30
	d) Agricultural Marketing	14	13	7
	e) Rural Consumer Activity	3	3	2
	f) Agro-Services and Promotional and Developmental Programmes etc.	12	10	12
III.	TOTAL (I+II)	**222**	**260**	**327**

$ Figures for 1990-91 have been revised. However, details of constituent items in respect of central schemes are not available and hence may not add up to the total shown.

Source : National Co-operative Development Corporation.

by Karnataka, (12 per cent), Madhya Pradesh (12 per cent) and Rajasthan (8 per cent) with the expenditure of Rs. 326 crore incurred during 1991-92.

NCDC had launched a scheme during the Seventh Plan for Integrated Co-operative Development Projects for selected districts. Till March 1992, the Scheme has been sanctioned in 23 districts with a project cost of Rs. 163.68 crore, including NCDC's share of Rs.153.66 crore. The Scheme is intended to strengthen and develop co-operative infra-structure so as to enable it to cater to overall needs of the rural community in the selected areas in districts.

Warehousing Corporations

The public warehousing system in the country which started a poineering work in the year 1957 has been showing continuous progress during the last three decades. The scheme envisaged an integrated growth of warehousing in the country under a three tier system; the markets of all-India importance were to be served by the Central Warehousing Corporation (CWC), while the secondary markets by State Warehousing Corporations and the rural areas by the Co-operatives.

(i) Central Warehousing Corporation (CWC)

Having started mainly for storage of foodgrains, the CWC has diversified its activites, considering the warehousing needs of the country and now caters to a vast clientele of agriculturists, co-operatives, trade and industry, public undertakings and Central and State Governments.

Further, in order to meet the requirements of trade and industry, the Corporation has also started

providing mechanical handling facilities at some of the custom bonded warehouses where there is a regular demand for such facilities. The Corporation has recently developed warehousing facilities for storage of sensitive commodities in temperature controlled godowns and cold storage and liquid cargo in tanks, and is also now providing the Container Freight Station (CFS) facilities at Delhi and at 10 other centres. As at end-March 1992, it has developed an all-India network of 492 warehouses having a total capacity of 67.2 lakhs tonnes (Table VII-51). The average utilisation of the warehousing capacity during the year 1991-92 was at 67 per cent than that of 78 per cent last year.

(ii) State Warehousing Corporations (SWCs)

During the year 1991-92, the number of warehouses owned/managed by the State Warehousing Corporations (SWCs) increased from 1,331 to 1,344. However, the total capacity declined from 93.9 lakh tonnes to 91.9 lakh tonnes over the year mainly due to closure of uneconomic and also of some hired units.

Rural Electrification Corporation Ltd. (REC)

During 1991-92 (April-March), the total amount sanctioned by the Corporation was slightly lower at Rs. 938 crore as against Rs. 962 crore last year. The number of schemes sanctioned also stood lower at 1,320, covering 5,081 villages as against 1990, covering 12,888 villages. The cumulative financial assistance sanctioned and disbursed by REC as at end-march 1992 amounted to Rs. 8,862 crore and Rs. 6,003 crore, respectively.

During the year, REC sanctioned 78 schemes for Harijan Bastis covering 1,955 villages as compared to 63 schemes covering 2,101 villages last year. Disbursement for Harijan Bastis during 1991-92 recorded a rise of Rs. 2 crore over the preceding year. Cumulatively, REC had approved 1,588 schemes covering 69,160 villages. The total amount disbursed under this scheme amounted to Rs. 82 crore as compared with Rs. 74 crore at end-March 1991. (Table VII-52). State-wise, cumulative data on schemes sanctioned and amount disbursed by REC at end-March 1992 is given in Table VII-53.

Agricultural Finance Corporation Ltd. (AFC)

Agricultural Finance Corporation Ltd. (AFC), continued to undertake a large number of assignments relating to project formulation, monitoring and evaluation studies concerning agriculture and rural development. During the year 1991-92 (April-March), AFC handled 114 assignments of which 62 assignments had been completed and the remaining 52 were at various stages of completion.

Table VII-51 : INCREASE IN THE CAPACITY OF CENTRAL WAREHOUSING CORPORATION AND STATE WAREHOUSING CORPORATION

(Capacity in Lakh tonnes)

Agency/Year	Number of Warehouses	Owned	Hired	Plinth	Total
1	2	3	4	5	6
I. Central Warehousing Corporation					
1989-90	483	45.7	17.7	1.8	65.2
1990-91	498	47.2	17.6	3.0	67.8
1991-92	492	47.7	16.5	3.0	67.2
II. State Warehousing Corporations					
1989-90	1,324	64.5	24.3	1.2	90.0
1990-91*	1,331	65.8	26.2	1.9	93.9
1991-92	1,344 *	67.4	22.7	1.8	91.9

* : Provisional

Source : Central Warehousing Corporation

Table VII-52 : SCHEMES SANCTIONED AND LOANS DISBURSED BY RURAL ELECTRIFICATION CORPORATION (APRIL-MARCH)

(Rupees Crore)

Items	1989-90	1990-91	1991-92	Cumulative Position as at end-March 1992[P]
1	2	3	4	5
1. No. of Schemes sanctioned	2,312	1,990	1,320	24,391
	(220)	(63)	(78)	(1,588)
2. No. of villages covered	19,021	12,888	5,081	4,20,221
	(6,701)	(2,101)	(1,955)	(69,160)
3. Total cost of schemes	1,239	1,178	1,059	12,035
	(22)	(6)	(8)	(..)
4. Total amount sanctioned	959	962	938	8,862
	(22)	(6)	(8)	(118)
5. Total amount disbursed	713	709	586	6,003
	(10)	(6)	(8)	(82)

P : Provisional.
Note : Figures in brackets are in respect of Harijan Basti Schemes included in the respective totals.
Source : Rural Electrification Corporation Limited.

Table VII-53: STATE-WISE DATA ON SCHEMES SANCTIONED AND LOANS DISBURSED BY REC (CUMULATIVE POSITION) AS AT END OF MARCH 1991 AND 1992

State	Number of Schemes sanctioned		Villages including HBs covered		Loan amount sanctioned (Rs. crore)		Amount disbursed (Rs. crore)	
	1991 $	1992	1991 $	1992	1991 $	1992	1991 $	1992
1	2	3	4	5	6	7	8	9
Andhra Pradesh	2522	2657	31332	31748	597.1	699.7	436.2	464.4
Arunachal Pradesh	46	46	848	848	55.3	55.4	16.4	20.4
Assam	332	333	18854	18854	234.5	239.6	186.1	192.1
Bihar	1541	1581	56533	56814	459.4	476.9	355.9	367.3
Goa	–	–	–	–	–	–	–	–
Gujarat	961	1029	9153	9153	373.7	391.3	255.3	277.9
Haryana	661	685	5917	5917	211.9	248.6	156.1	178.0
Himachal Pradesh	269	278	11097	11097	154.5	161.9	114.2	118.9
Jammu and Kashmir	249	250	5397	5397	131.6	133.5	75.6	79.8
Karnataka	1096	1127	15519	15519	255.0	328.8	214.7	236.6
Kerala	537	574	849	849	158.6	168.1	102.1	114.8
Madhya Pradesh	3717	4008	67916	70016	1147.3	1293.8	824.7	952.7
Maharahstra	2220	2381	16096	16096	705.0	837.3	474.6	520.9
Manipur	61	72	1583	1746	51.7	62.1	37.5	43.8
Meghalaya	95	96	2928	2928	72.0	73.7	52.3	57.5
Mizonram	19	26	344	457	27.3	38.5	14.9	21.8
Nagaland	47	48	742	742	38.9	39.3	33.0	34.6
Orissa	1055	1142	34778	36148	390.1	438.0	256.7	289.8
Punjab	1006	1012	4385	4385	408.1	414.5	235.3	252.4
Rajasthan	1554	1655	32749	34278	484.6	593.1	325.1	370.1
Sikkim	36	36	291	291	29.1	29.1	25.0	27.8
Tamil Nadu	1410	1549	1264	1264	359.3	399.0	249.8	277.2
Tripura	98	99	3140	3174	56.0	56.7	41.6	47.6
Uttar Pradesh	2494	2550	62192	62669	1081.5	1161.7	615.0	701.5
West Bengal	1045	1157	29278	29831	441.9	521.5	318.4	355.4
TOTAL	**23071**	**24391**	**413185**	**420221**	**7924.4**	**8862.1**	**5417.0**	**6003.3**

$: Provisional
Source : Rural Electrification Corporation Limited.

AFC, as in the past, continued to be involved in large size assignments both at the national and state level. Work on two assignments namely concurrent evaluation of Integrated Programme on Rice Development (IPRD) and concurrent evaluation of Oilseeds Production Programme (OPP) continued during the year. Besides, AFC also undertook concurrent evaluation of National Pulses Degvelopment Programme (NPDP) covering eleven states during the year.

During the year under review, in addition to monitoring and evaluation studies, the corporation prepared large number of projects in various states. AFC continued its efforts for promoting more rapid agricultural developments in the Eastern and North-Eastern regions of the country by undertaking formulation and monitoring/ evaluation of agricultural and rural development projects.

Another important activity of AFC is its external consultancy. AFC's performance on external consultancy front during the year showed a significant improvement. Assistance provided by the Corporation to the international funding agencies was in the form of provision of services of experts to various countries.

A notable development in the external consultancy area is the collaborative arrangement agreed upon between AFC and AGROTEC SpA of Italy in respect of Horticulture Development Project in Kerala funded by European Economic Commission.

Annexure I

Credit Policy Measures

Credit Policy Measures	Effective from
A. Reserve Ratios	
1. Cash Reserve Ratio (CRR)	
(i) Rupee equivalent of funds mobilised under the India Development Bonds Scheme was exempted from the incremental cash reserve ratio of 10 per cent.	Fortnight beginning January 11, 1992
(ii) Scheduled commercial banks were exempted from the maintenance of the 10 per cent incremental cash reserve ratio for any increase in net demand and time liabilities over the level as on April 17, 1992. The 10 per cent incremental cash reserve ratio, however, continued to be operative upto the level of net demand and time liabilities as on April 17, 1992.	April 21, 1992, (Announcement Date)
Average Cash Reserve Ratio-15 percent.	October 8, 1992.
2. Incremental Cash Reserve Ratio	
To release one-third of the additional cash balances maintained under the 10.0 per cent incremental CRR by each bank up to the level of April 17, 1992 in three equal instalments in the fortnights beginning October 17, 1992, November 14, 1992 and December 12, 1992.	
3. Interest on Banks' Cash Balances	
On the increase in eligible cash balances based on net DTL maintained after March 23, 1990, under the average 15 per cent CRR as well as eligible cash balances maintained under the 10 per cent incremental CRR no interest would be paid.	Fortnight beginning October 17, 1992
4. Statutory Liquidity Ratio (SLR)	
SLR was reduced from 38.5 per cent to 30 per cent for any increase in net demand and time liabilities above the April 3, 1992 level. However, the SLR remained frozen at 38.5 per cent up to the level of the outstanding net demand and time liabilities (excluding non-resident liabilities) as on April 3, 1992.	February 29, 1992 (Announcement Date)
Statutory Liquidity Ratio — 30 per cent on increase in net demand and time liabilities above the level outstanding as on April 3, 1992.	October 8, 1992.
SLR to be maintained by Scheduled Commercial Banks (excluding Regional Rural Banks), up to the level of outstanding net demand and time liabilities (excluding FCNR & NRE deposits) as on April 3, 1992 would be reduced from 38.5 per cent to 37.75 per cent in 3 phases of 0.25 per cent point each as set out below:	

SLR on Net Demand and Time Liabilities	Fortnight beginning from
(per cent)	
38.5	January 9, 1993
38.0	February 6, 1993
37.75	March 6, 1993

B. Bank Rate	
(i) The Bank Rate was raised by one percentage point, i.e., 10 per cent to 11 per cent. All other rates of interest on advances from the Reserve Bank specifically linked to the Bank Rate were correspondingly raised by one percentage point, unless otherwise specified.	From the close of business on July 3, 1991

(ii) The Bank Rate was raised by one percentage point, i.e., from 11 per cent per annum to 12 per cent per annum. All other rates on credit from the Reserve Bank which are specifically linked to the Bank Rate were correspondingly raised by one percentage point unless otherwise specified. — From the close of business on October 8, 1991

C. RBI Refinance Accommodation

Export Credit Refinance

(i) Eligibility for export credit refinance was made equivalent to 50 per cent of the increase in export credit over the monthly average level of 1988-89 upto the monthly average level of 1989-90 plus 100 per cent of the increase over the monthly average level of export credit in 1989-90. — July 27, 1991

(ii) Banks were provided export credit refinance to the extent of 60 per cent of the increase in outstanding export credit over the monthly average level of 1988-89 up to the monthly average level of 1989-90 plus 125 per cent of the increase over the monthly average level of outstanding export credit in 1989-90. The modified two-tier formula was implemented in two stages. The second tier of refinance was raised from 100 per cent to 110 per cent effective November 2, 1991 and from 110 per cent to 125 percent from December 28, 1991. — November 2, 1991 and December 28, 1991

5. Export Credit Refinance

Effective October 31, 1992, scheduled commercial banks would be provided: — October 31, 1992

(i) Export credit (rupee) refinance to the extent of 60 per cent of the increase in outstanding export credit over the monthly average level of 1989-90 plus 100 per cent of the increase over the monthly average level of outstanding export credit in 1989-90, as against 125 per cent hitherto.

(ii) Under the refinance facility against PSCFC, banks would be eligible for export credit refinance limits equivalent to 120 per cent of such credit provided by banks as against 133 1/3 per cent hitherto.

Interest Rates on Reserve Banks Refinance

The interest rates on the refinance facilities (other than 182 Days Treasury Bill Refinance) were raised effective July 4, 1991. The revised rates are as indicated in the table below: — July 4, 1991

Interest Rates on RBI Refinance

Refinance facility	Effective upto July 3, 1991	Effective July 4, 1991
Export Refinance	9.0	9.5
Stand-by refinance	12.5	13.5
Discretionary Refinance	14.0 (minimum)	17.0 (minimum)
Food refinance	11.5	14.0

Withdrawal of Refinance Facilities

In view of the imperative need to contain reserve money expansion in the context of severe inflationary pressures in the economy the following refinance facilities were withdrawn (i) Food credit refinance (ii) Stand-by refinance, (iii) 182 Days Treasury Bill refinance and (iv) discretionary refinance. Any outstandings under these facilities were required to be repaid on the day the sanctioned limit expired or on October 18, 1991, whichever was earlier. Banks were advised to plan their lending operations on the basis that these facilities would not be available during the financial year 1991-92. — October 9, 1991

Refinance Scheme for Post-shipment Credit Denominated in US Dollars

(i) With a view to enabling the exporters to have post-shipment export credit denominated in foreign currency and pay interest at rates applicable to the foreign currency concerned, a scheme of post-shipment export credit denominated in foreign currency (PSCFC) was introduced from January 1, 1992. Subsequently, effective January 4, 1992, a new refinance scheme for post-shipment export credit denominated in US dollars was also introduced. Under this scheme, scheduled commercial banks are provided export credit refinance equivalent to 133 1/3 per cent of the post-shipment export credit denominated in US Dollars extended by them to exporters. While the rate of interest on this refinance facility was 9.5 per cent per annum, it was 8.5 per cent per annum on post-shipment export credit denominated in US dollars. — January 4, 1992

(ii) Effective March 2, 1992 while the rate of interest on export credit under PSCFC was reduced from 8.5 per cent to 6.5 per cent per annum,that on refinance against PSCFC was reduced from 9.5 per cent to 7.5 per cent per annum. — March 2, 1992

(iii) Effective April 22, 1992, the rate of interest on refinance against PSCFC was further reduced to 5.5 per cent per annum. — April 22, 1992

D. Incremental Net Non-food Credit (excluding export credit)- Deposit Ratio

The prescription of incremental net non-food credit (excluding export credit) — deposit ratio was not continued in 1992-93. — April 21, 1992 (Announcement Date)

E. Measures Relating to Interest Rates

i) The lending rate on limits over Rs. 2 lakh was raised by 1.5 percentage points from 17.0 per cent (minimum) to 18.5 per cent (minimum). — July 4, 1991

The effective interest rate on discounting bills of exchange for this category of borrowers would be one percentage point below the corresponding lending rates charged to borrowers in this category.

In the case of term loans to agriculture, small-scale industry and transport operators owning up to two vehicles, such loans would continue to be governed by rates prescribed as of September 22, 1990.

ii) Lending rates were raised across-the-board by 1.5 percentage points. The revised rates range from 11.5 per cent to 20.0 per cent (minimum) as against 10.0 per cent to 18.5 per cent (minimum) earlier. — October 9, 1991

The effective interest rates on discounting of bills of exchange for borrowers subject to the lending rate of 20.0 per cent (minimum) would be one percentage point below the lending rate charged to borrowers in this category. As such the effective interest rate on discounting of bills of exchange for such category will be 19.0 per cent (minimum).

	Size of Limit	Rate of interest (per cent per annum)
a)	Up to and inclusive of Rs. 7,500	11.5
b)	Over Rs. 7,500 and up to Rs. 15,000	13.0
c)	Over Rs. 15,000 and up to Rs. 25,000	13.5
d)	Over Rs. 25,000 and up to Rs. 50,000	15.5
e)	Over Rs. 50,000 and up to Rs. 2 lakh	16.5
f)	Over Rs. 2 lakh	20.0 (minimum)

In the case of term loans to agriculture, small-scale industry and transport operators owning up to two vehicles, the lending rate for loans over Rs. 25,000 and up to Rs. 2 lakh was raised by one percentage point; for loans over Rs. 2 lakh, the lending rate was made 15.0 per cent (minimum).

6. Lending Rates

It has been decided to reduce the lending rate on credit limits of over Rs. 2 lakh by one percentage point from 19.0 per cent (minimum) to 18.0 per cent (minimum). Banks would be well advised to reduce the rates for all borrowers under this category by a minimum of one percentage point over the present rates being charged to such borrowers. October 9, 1992

Scheduled Commercial Banks' Lending Rates

(per cent per annum)

Size of limit of advances	Existing Rate	New Rate (effective October 9, 1992)
Over Rs. 2 lakh	19.0 (minimum)	18.0 (minimum)

The lending rate for commodities coming within the purview of selective credit controls will also be reduced from 19.0 per cent (minimum) to 18.0 per cent (minimum).

The interest rates on term deposits of scheduled commercial banks were raised across-the-board by one percentage point. July 4, 1991

The interest rates on term deposits of scheduled commercial banks were raised. The changes in the structure of deposit rates (excluding FCNR/NRE Accounts) are set out below: October 9, 1991

Interest rates on Deposits of Scheduled Commercial Banks (Excluding FCNR/NRE Deposits)

(per cent per annum)

Category of Account	Rates effective		
	April 13, 1991	July 4, 1991	October 9, 1991
Current	Nil	Nil	Nil
Saving	5.0	5.0	5.0
Term Deposits :			
a) 46 days to less than one year	8.0	9.0	11.0
b) One year to less than two years	9.0	10.0	12.0
c) Two years to less than three years	10.0	11.0	
d) Three years and over	12.0	13.0	13.0

Note : The changes in rates are applicable only to fresh deposits and renewal of maturing deposits.

The interest rates on pre-shipment and post-shipment export credit were raised. For pre-shipment credit the rate of interest has been increased from 12.5 per cent to 15.0 per cent per annum up to 180, days for pre-shipment credit beyond 180 days and up to 270 days the rate of interest has been increased from 14.5 per cent to 17.0 per cent per annum. The rate of interest on post-shipment credit for usance periods up to 90 days has been increased from 12.5 per cent to 15.0 per cent per annum and for periods beyond 90 days and up to six months the rate of interest has been increased from 18.0 per cent to 20.0 per cent per annum. In respect of post-shipment credit beyond 90 days the increased rates of interest will apply only for the stipulated period beyond 90 days and not from the date of advance as hitherto. These rates are exclusive of interest tax. October 9, 1992

Interest Rates on Export Credit

The interest rates on export credit (rupee) provided by scheduled commercial banks is reduced by one percentage point across-the-board. — October 9, 1992

The structure of lending rates was further revised with effect from March 2, 1992 and April 22, 1992. The structure of lending rates is enclosed.

The domestic deposit rates were revised with effect from April 22, 1992 and April 24, 1992 as indicated below:

(per cent per annum)

	Prior to April 22, 1992	Effective April 22, 1992	Effective April 24, 1992
1. Savings Deposits	5.0	5.0	6.0
2. Term Deposits			
a) 46 days to less than 1 year	11.0	Not exceeding 13.0	Not exceeding 13.0
b) 1 year to less than 3 years	12.0		
c) 3 years and over	13.0		

Deposit Rates

Deposit rate is reduced for maturity of 46 days to 3 years and above by one percentage point to 'not exceeding 12.0 per cent per annum'. The revised structure of deposit rates will apply only to fresh deposits and on renewal of maturing deposits. The existing and the revised structure of deposit rates excluding FCNR/NRE accounts are set out below: — October 9, 1992

Scheduled Commercial Banks' Interest Rates on Deposits (Excluding FCNR/NRE)

Category of Account	Existing Rates	New Rates (Effective October 9, 1992)
		(Per cent per annum)
Current	Nil	Nil
Savings	6.0	6.0
Term Deposits		
46 days to 3 years and over	Not exceeding 13.0	Not exceeding 12.0

Interest Rates on Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)

The interest rate on savings accounts under NRE scheme was increased by one percentage point from 5.0 per cent to 6.0 per cent per annum. The term deposit rates for NRE accounts for maturity of 46 days to three years and above would be a single prescription of 'not exceeding 13.0 per cent per annum.' The existing and the revised structure of interest rates for NRE deposits are set out below: — October 9, 1992

Scheduled Commercial Banks' Interest Rates on Deposits under Non-Resident (External) (Rupee) Accounts (NRE Accounts)

(per cent per annum)

		Existing Rates	New Rates (Effective October 9, 1992)
i)	Savings	5.0	6.0
ii)	Term Deposits		
	a) 46 days to less than one year	8.5	
	b) 1 Year to less than 2 years	10.5	'Not exceeding 13.0 per cent' for
	c) 2 years to less than 3 years	11.0	maturity of 46 days to 3 years
	d) 3 years to less than 5 years	13.0	and over
	e) 5 years and above	14.0	

Foreign Currency (Ordinary) Non-Repatriable Deposits (FCON)

Foreign currency (Ordinary) Non-Repatriable Deposits (FCON) was exempted from the maintenance of CRR and SLR and accordingly, these liabilities will not form part of the DTL for the purpose of reserve requirements.

F. Measures relating to the Money Market

Certificates of Deposit-
Enhancement of Limits

The limits for issue of CDs by scheduled commercial banks (excluding Regional Rural Banks) were enhanced from 5 per cent to 7 per cent of the fortnightly average outstanding aggregate deposits in 1989-90. — May 2, 1992

The limits for issue of CDs by scheduled commercial banks (excluding Regional Rural Banks) was increased from 7 per cent to 10 per cent of the fortnightly average outstanding aggregate deposits in 1989-90. — Fortnight beginning from October 17, 1992

Money Market Mutual Funds (MMMFs)

The salient features of the Scheme of MMMFs were indicated in the credit policy announced on April 21, 1992 which are set out below: — Announcement Date April 21, 1992

(i) **Eligibility to set up MMMFs**

MMMFs can be set up by scheduled commercial banks and public financial institutions as defined under Section 4A of the Companies Act, 1956 or through their existing Mutual Funds/Subsidiaries engaged in Funds Management.

(ii) **Structure of MMMFs**

MMMFs can be set up either as Money Market Deposit Accounts (MMDAs) or Money Market Mutual Funds (MMMFs).

(iii) **Size of Funds**

The limit for raising resources under the MMMF Scheme should not exceed 2 per cent of the sponsoring bank's fortnightly average aggregate deposits during 1991-92. In the case of banks whose limit is less than Rs. 50 crore, it will be necessary for them to pool their limit with other banks and jointly set up a MMMF. In the case of public financial institutions, the limit should not exceed 2 per cent of the long term domestic borrowings as indicated in the latest available audited balance sheets.

(iv) **Who can Subscribe**

As Money Market Mutual Funds are primarily intended to be a vehicle for individual investors to participate in the money markets, the units/shares of MMMFs can be issued only to individuals. Individual Non-Resident Indians (NRIs) may also subscribe to share/units of MMMFs on a non-repatriable basis.

(v) **Minimum size of Investment**

MMMFs would be free to determine the minimum size of investment by a single investor. The investors cannot be guaranteed a minimum rate of return.

(vi) **Minimum size of Investment**

The minimum lock-in period for investment would be 46 days.

(vii) **Investments by MMMFs**

The resources mobilised should be invested *exclusively* in various money market instruments as indicated below:

	Instrument	Limit (per cent of investible resources of MMMF)
a)	Treasury Bills and Dated Government Securities having an unexpired maturity up to one year.	Minimum 25 per cent
b)	Call/Notice Money	Maximum 30 per cent
c)	Commercial Paper	Maximum 15 per cent. Exposure to Commercial Paper issued by an individual company should not be more than 3 per cent.
d)	Commercial Bills/accepted/co-accepted by banks	Maximum 20 per cent
e)	Certificates of Deposit	No limit.

These limits have been designed, basically with a view to ensuring safety and liquidity for the investor.

(viii) **Reserve Requirements**

In the case of MMMFs set up by banks, the resources mobilised by them would not be considered as part of their net demand and time liabilities for purposes of reserve requirements and as such these resources would be free from any reserve requirements.

(ix) **Stamp Duty**

The shares/units issued by MMMFs would be subject to stamp duty.

(x) **Regulatory Authority**

The setting up of MMMF would require the prior authorisation of the Reserve Bank of India. Furthermore, MMMFs to be set up by banks, their subsidiaries and public financial institutions would be required to comply with the guidelines and directives that may be issued by the Reserve Bank of India from time to time.

Commercial Paper (CP)—

Liberalisation in terms and conditions of issue of CP : May 13, 1992

(i) The working capital (fund-based) limit of a company for issue of CP should not be less than Rs. 5 crore instead of Rs. 10 crore at present.

(ii) The minimum credit rating from the Credit Rating Information Services of India Ltd. (CRISIL) should be P2 instead of P1 at present. Also the minimum credit rating from the Investment Information and Credit Rating Agency of India Ltd. (ICRA) shall be A2 instead of A1 at present.

(iii) The ceiling on the aggregate amount to be raised by issue of CP shall be raised from 30 per cent to 75 per cent of the company's working capital (fund-based) limit.

(iv) The stipulation (vide Paragraph 4(iii) of Part II of the Notification No. IECD.1/87(CP)-89-90 dated December 11, 1989) that the shares of a company (except Government Company) should be listed on one or more stock exchanges has been deleted.

G. Other General Measures

Fortnight beginning October 19, 1991

1. Interest on banks' cash balances held with Reserve Bank

(i) In view of the imperative need to curtail the increase in reserve money, the interest rates payable by the Reserve Bank on cash balances have been moderated as follows: (i) on the eligible cash balances based on the net DTL as of March 23, 1990, interest would continue to be paid at rate of 10.5 per cent per annum and (ii) on the increase in eligible cash balances based on the net DTL maintained after March 23, 1990 under the average 15.0 per cent CRR as well as eligible cash balances under the 10.0 per cent incremental CRR, interest would be paid at a reduced rate of 5.0 per cent per annum. The new scheme is as follows:

Item	Rate of interest
I. Interest payable on eligible cash balances relating to :	
a) Net DTL as on March 23, 1990	10.5
b) Incremental Net DTL thereafter	5.0
II. Interest Deduction on the amount of CRR shortfall	25.0
III. Net Interest Payable (I-II)	

(ii) The interest paid on banks' cash balances with RBI was revised as indicated below: May 2, 1992

Two Tier Formula	Rate of Interest (per cent per annum)
(i) On eligible cash balances based on the net DTL as of March 23, 1990	10.5
(ii) On eligible cash balances based on increase in net DTL after March 23, 1990 (including cash balance maintained under incremental 10 per cent CRR).	3.0

(iii) **Bill Discounting/Rediscounting Facilities for Finance Companies**

Banks' lending to hire purchase and equipment leasing companies is subject to a ceiling of three times the net owned funds. As some parties have been using bill discounting/rediscounting facilities to draw credit from banks well above the established credit norms, credit provided by banks by way of bill discounting/rediscounting for hire purchase/equipment leasing companies should be taken into account while providing facilities to such companies. In the case of finance companies other than hire-purchase/equipment leasing companies banks have been advised to ensure that the total credit accommodation provided by banks, inclusive of bill discounting/rediscounting facilities, does not exceed three times the net owned funds. In cases where bank lending is above this stipulated norm, banks should, in the first stage, not allow further drawals and the outstandings must be brought down in a phased manner. October 9, 1991

(iv) **Restriction on Credit to certain sectors**

a) In view of the need to moderate credit to certain sectors in the context of the inflationary pressures and the pressure on banks' resources, banks were advised to ensure that there is no increase in the credit outstanding to each of the following sectors: (i) Loans for purchases of consumer durables (ii) loans to individuals against shares and debentures/bonds, (iii) other non-priority sector personal loans (iv) Real estate loans. October 9, 1991

b) In the context of the easing of pressure on banks' resources and to facilitate recovery of industrial output, it was decided to withdraw the restriction on banks' credit to the following sectors, viz., i) Loans for purchases of consumer durables and ii) Other non-priority sector personal loans. The restriction on real estate loans continued to be in force. — April 22, 1992

c) In the context of the unprecedented increase in share prices and to discourage the use of bank credit for speculative activity, it was decided to continue the restriction imposed effective October 9, 1991 on bank credit against shares and debentures/bonds. Furthermore, loans to individuals against shares and debentures/bonds would be subject to a minimum margin of 75 per cent. — April 22, 1992

Measures to Activate the Government Securities Market

As part of the overall objective of developing the Government securities market the following measures are being taken:

(i) **Introduction of a Government Securities Refinance Facility** — Fortnight October 31, 1992

A new refinance facility called Government Securities Refinance Facility is introduced from the fortnight beginning October 31, 1992. The salient features of the new refinance facility which would be provided under Sectiion 17 (4) (a) of the Reserve Bank of India Act, 1934, would be as under :

1) **Eligible Banks**

All scheduled commercial banks (excluding RRBs) will be eligible for this refinance facility.

2) **Fixation of Limits**

Banks would be eligible for the limit, under the facility, equivalent to one half of one percentage point of their fortnightly average outstanding aggregate deposits in 1991-92. The total limits for bank would amount to Rs. 1,030 crore.

3) **Rate of Interest**

The rate of interest on the refinance facility would be 14 per cent per annum.

4) **Place of Availment**

Advances will be disbursed through and repayable at the Reserve Bank of India, Bombay.

5) **Security for Borrowing**

Advances will be granted against the collateral of excess holdings of dated Government and other approved securities over the SLR required to be maintained. Banks could avail of refinance under this facility to the extent of 90 per cent of their excess holdings of dated Government and other approved securities over the SLR required to be maintained subject to the overall limit of one half of one per cent of their average aggregate outstanding deposits in 1991-92.

(ii) **Repos Auction of Government Dated Securities**

Towards improved short - term monetary management of excess liquidity in the system and to even out interest rates in the call/notice money market, it is proposed to conduct, from time to time, Repos Auction for Central Government Dated Securities from the Reserve Bank of India's portfolio. These Repos Auctions would be in the form of sales of Government securities by the Reserve Bank for very short periods (within the fortnightly make-up period), with a buy-back clause. The Repos Auctions are expected to help even out liquidity of the banking system within the fortnight and reduce the volatility of call money rates.

(iii) **Discontinuance of Non-Competitive Bids in Auctions by DFHI**

At present Discount and Finance House of India Ltd. (DFHI) is allowed to tender bids for longer maturity treasury bills and auctions for sale of dated securities of the Government of India on a non-competitive basis. This facility was given to DFHI at the time of establishment of the company in March 1988. Since then the DFHI has made rapid strides and acquired market skills and it is in a position to operate in the market independently. As part of the move towards facilitating level playing fields, the DFHI will no longer be provided the facility of non-competitive bids in the auctions for treasury bill and dated securities.

(iv) **Establishment of an Internal Debt Management Cell in the Reserve Bank of India**

With a view to strengthening internal debt management, evolving policy options and issue of guidelines for trading in Government securities an Internal Debt Management Cell has been set up from October 1, 1992 as an independent unit in the Central Office of the Reserve Bank of India. The Cell will exclusively attend to internal debt management policy and operations, consisting of open market operations, market borrowings, State Governments Ways and Means Advances and other related matters. The Cell will devote attention to evolving an active internal debt management policy. The Cell is expected to play an active role in internal debt management operations, evolve new policy instruments and shore up delivery capabilities for facilitating emergence of an active and efficient Government Securities market.

H. Incremental Cash Reserve Ratio—India Development Bonds

With a view to providing incentive to banks to mobilise larger funds under India Development Bonds (IDBs) Scheme, 1991, it was decided to exempt rupee equivalent of funds mobilised under the IDBs Scheme from the incremental cash reserve ratio of 10 per cent. — Fortnight beginning January 11, 1992

I. Introduction of a New Non-Resident (Non-Repatriable) Rupee Deposit Scheme

With a view to providing further incentive and giving wider options to non-residents, including Overseas Corporate Bodies, a new Non-Resident (Non-Repatriable) Rupee Deposit Scheme was introduced. The salient features of the scheme are as follows: — June 15, 1992

Authorised dealers are permitted to accept deposits under this scheme by way of transfer of foreign exchange funds from outside India or from the existing NRE/FCNR accounts. The funds transferred to this new non-repatriable rupee scheme would be converted into rupees at the prevailing exchange rate at the time of placing the deposit and these funds will no longer be repatriable. The deposits under the new scheme which can be accepted for maturities of six months to three years would not be considered as part of net demand and time liabilities for purposes of reserve requirements and as such these deposits would be free from any reserve requirements. Lendings against these deposits would not be considered as part of net bank credit for purposes of determining priority sector lending. These deposits and advances against these deposits would not be subject to interest rate regulations and as such banks will be free to determine the deposit and lending rates under this scheme. Banks would be able to offer attractive deposit rates under this scheme. These special benefits will be available so long as the funds remain in these deposits. While depositors would be free to move from one bank to another, once the amount of deposit is withdrawn from the banking system or invested in other schemes it will not qualify for renewal under the scheme. The income from these deposits will be free from Indian Income Tax. The deposits will also be exempt from Gift Tax for one time gifting in the case of NRI's only. The exemption from Income Tax will not be available to resident donees and those residents being joint holders, become owners as survivors of the non-resident depositors.

J. Capital Adequacy and Prudential Norms	Effective from
i) Capital Adequacy	
The Narasimham Committee has recommended that all banks in India should reach the Basle Committee norm of 8 per cent of the risk weighted assets in a phased manner. As recommended by the Narasimham Committee all banks with international presence should achieve the capital adequacy norm of 8 per cent not later than the end of March 1994. Other banks should also work towards reaching this norm. In any case other banks would be expected to achieve the capital risk asset ratio of 4 per cent not later than the end of March 1993 and 8 per cent in full by the end of March 1996.	Announcement Date April 21, 1992
ii) Recognition of Income, Classification of Assets and Provisioning for Bad Debts	
With a view to moving towards greater disclosure in the published accounts of banks the balance sheet and profit and loss account formats have been revised with effect from the year ended March 31, 1992. The recommendation of the Narasimham Committee is that a policy of income recognition should be objective and based on record of recovery rather than on any subjective considerations. As regards provisioning requirements, the Committee has recommended that provisioning should be made on the basis of the classification of assets into four different categories. It has been decided to implement the Committee's recommendations with certain modifications, in a phased manner, over a three year period commencing from the current accounting year beginning April 1, 1992. Banks would be expected to comply with the norms progressively by March 31, 1995. The revised prudential norms are expected to strengthen the balance sheets of the banks.	Announcement Date April 21, 1992
iii) Branch Licensing Policy	
The Narasimham Committee has, *inter alia,* recommended that branch licensing policy be abolished. With a view to enabling banks to rationalise their existing branch network, banks have been given freedom to relocate branches,open specialised branches, spin-off business at other locations, set up controlling offices/administrative units and also establish extension counters. Banks were already permitted to close down branches other than in rural areas, as well as to swap unremunerative branches or those in remote areas. The boards of banks will be required to decide on the policy and strategy for setting up of new branches taking into account the need to meet overall national policy objectives, the need to cater to the special requirements of modern globalised business which call for a fast and efficient response, and the need to keep the establishment costs and other overheads under control. Banks which attain the revised capital adequacy norms and prudential accounting standards will be given freedom to set up new branch offices.	Announcement Date April 21,1992
Expansion of branches of foreign banks will be based as hitherto, on considerations of national advantage from the point of view of facilitating exports and foreign investment. Principles of non-discriminatory reciprocal treatment and mutual benefits, besides compliance with prudential and other norms, will be given due weightage.	
K. Selective Credit Control	
1) Lending Rate on Advances against Commodities under Selective Credit Control	July 4, 1991
The interest rate on all advances against commodities covered under the selective credit control was raised from 17.0 per cent (minimum) to 18.5 per cent (minimum).	
2) Reintroduction of selective credit controls on wheat	
Bank advances against wheat including advances to roller flour mills which were exempt from the selective credit control stipulations, effective July 2, 1990, were brought back under the controls setting the minimum margins at 30 per cent for mills/processing units and against warehouse receipts and 45 per cent for 'Others.' The level of credit ceiling was set at 100 per cent of the peak	September 4, 1991

level of credit maintained by the party in any of the three years ended 1989-90 (November-October).

3) **Minimum Margins on Paddy/Rice and 'Other Foodgrains'**

The minimum margins on advances against paddy/rice and 'Other foodgrains' (other than paddy/ rice, wheat and pulses) were raised across-the-board by 15 percentage points, setting them at 60 per cent for mills/processing units and against warehouse receipts and 75 per cent for 'others.' — September 4, 1992

4) **Reintroduction of selective credit controls on cotton and *kapas***

Bank advances against cotton and *kapas*, which were exempt from selective credit controls, effective April 16, 1990 were brought back under the controls setting the margins at 45 per cent for 'others' (other than mills/processing units) and 30 per cent against warehouse receipts. The level of credit ceiling was set at 85 per cent of the peak-level of credit maintained by a party in any of the three year period ended 1989-90 (November-October). Mills/processing units continued to be exempt from the control provisions. — October 9, 1991

5) **Minimum Margins on Pulses**

The minimum margins on advances against pulses were raised by 15 percentage points across-the-board, setting them at 60 per cent for mills/processing units and against warehouse receipts and 75 per cent for 'others.' — October 9, 1991

6) **Level of credit ceiling on wheat**

The level of credit ceiling on advances against wheat was lowered from 100 per cent to 85 per cent of the peak level of credit maintained by the party in any of the three years ended 1989-90 (November-October). — October 9, 1991

7) **Lending Rate for Commodities covered under Selective Credit Control**

The lending rate for commodities covered under selective credit control was raised from 18.5 per cent (minimum) to 20.0 per cent (minimum). — October 9, 1991

8) **Minimum Margins on Advances against wheat**

The minimum margins on advances against wheat including advances to roller flour mills were raised across-the-board by 15 percentage points setting them at 45 per cent for mills/processing units and against warehouse receipts and 60 per cent for 'others.' — February 11, 1992

9) **Minimum Margins on Advances against Cotton and *Kapas***

The minimum margins on advances against cotton and *kapas*, to 'others' (other than mills/processing units) and against warehouse receipts were raised by 15 percentage points, setting them at 60 per cent for 'others' and 45 per cent against warehouse receipts. Mills/processing units continued to be exempt from the control provisions. — February 11, 1992

10) **Lending Rate for Commodities under Selective Credit Control**

The lending rate on advances against commodities covered by selective credit control was lowered from 20.0 per cent (minimum) to 19.0 per cent (minimum). — March 2, 1992

11) **Minimum Margins on Advances against wheat**

The minimum margins on advances against wheat, including advances to roller flour mills, were raised across-the-board by 15 percentage points, setting them at 60 per cent for mills/processing units and against warehouse receipts, and 75 per cent for 'others.' — March 12, 1992

12) **Minimum Margins on Advances against Cotton and *Kapas***

The minimum margins on advances against cotton and *kapas* were raised by 15 percentage points, setting them at 75 per cent for 'others' (other than mills/ processing units) and 60 per cent against warehouse receipts. Mills/processing units continued to be exempt from the control provisions. — April 22, 1992

13)	**Level of credit ceilings — Base Period**	
	For commodities where there was stipulation of level of credit ceiling based on the three years ended 1989-90 (November-October), the base period was brought forward by one year to the three years ended 1990-91 (November-October).	April 22, 1992
14)	**Level of credit ceilings on Paddy/ Rice and Wheat**	
	The level of credit ceilings on advances against paddy/rice and wheat was lowered from 85 per cent to 70 per cent of the peak level of credit maintained by the party in any of the three years ended 1990-91 (November-October).	April 22, 1992

The structure of minimum margins and level of credit ceilings on bank advances against commodities subject to selective credit controls, effective April 22, 1992 is as under:

(Percentages)

Commodities	Minimum Margins			Level of Credit
	Mills/ processing Units	'Others'	Warehouse receipts	Ceiling (Base Year : three years ending 1990-91 November-October)
1. Paddy/Rice	60	75	60	70
2. Wheat	60	75	60	70
3. Pulses	60	75	60	85
4. Other Foodgrains	60	75	60	85
5. Oilseeds (viz. groundnut, rapeseed/mustard, cottonseed, linseed, castorseed and all imported oilseeds)	60	75	60	85
6. Vegetable Oils (viz. groundnut oil, rapeseed/mustard oil cottonseed oil, linseed oil, castor oil, *vanaspati* and all imported vegetable oils)	60@	75	60	85
7. Sugar				
a) Buffer	0	—	—	—
b) Unreleased stocks	20*	—	—	—
c) Released stocks	75	75	60	—
8. *Gur* and *Khandsari*	45	75	60	—
9. Cotton and *Kapas*	x	75	60	85+

x Exempt from the stipulations.

* Reduced to 17.5 per cent during the period May 9, 1991 to August 8, 1991.

@ Applicable to registered oil mills.

\+ Applicable to other than mills/processing units.

— Not applicable.

ANNEXURE - II

SELECTIVE CREDIT CONTROL

PROVISIONS OF THE DIRECTIVES APPLICABLE TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST SELECTED COMMODITIES

(Position as on April 22, 1992)

A. PADDY/RICE, WHEAT, PULSES AND "OTHER FOODGRAINS" (Viz., Jowar, Bajra, Maize, Barley, Ragi, and all other foodgrains including coarsegrains)

Rate of interest : 19.0% per annum (minimum) for all loans/advances/cash credits/overdrafts

Minimum margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
1	2	3
I. PADDY/RICE i) 60% on advances against stocks of Paddy/Rice to processing units/mills. ii) 75% on advances against stocks of Paddy/Rice to parties other than processing units/mills iii) 60% on advances against warehouse receipts covering stocks of Paddy/Rice. **II. WHEAT** i) 60% on advances against stocks of wheat to mills/ processing units. ii) 75% on advances against stocks of wheat to parties other than mills/processing units. iii) 60% on advances against warehouse receipts covering stocks of wheat. **III. PULSES** i) 60% on advances against stocks of pulses to processing units/mills. ii) 75% on advances against stocks of pulses to parties other than processing units/mills. iii) 60% on advances against warehouse receipts covering stocks of pulses.	For each party, 70% separately in respect of each of the commodities i. e. paddy/rice and wheat, and 85% on pulses and 'other foodgrains' of the peak level of credit maintained by the party in any of the 3 years (November-October) 1988-89, 1989-90 and 1990-91. **EXEMPTION** i) Advances against "other foodgrains" to foodgrains processing units. ii) Advances to mills/dealers against pledge/hypothecation of paddy/rice held to the extent of the levy quota to be surrendered statutorily to the State Governments.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and State Governments. ii) Advances to Co-operative Marketing Federations, Central or State Warehousing Corporations and such other agencies duly appointed as agents for the purpose of food procurement/distribution by the Food Corporation of India/Central or State Governments to the extent of the stocks held by them as such agents. iii) Advances against rationed foodgrains granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/ fair price distribution system in all the States and Union Territories. iv) Advances to Central and State Government/Agencies entrusted with the procurement of pulses at support prices fixed by the Government of India. v) Advances to rice millers against pledge/hypothecation of paddy and rice held to the extent they act as Government agents, provided the stocks are purchased at support prices fixed by Government of India.

1	2	3
IV. "Other foodgrains" (viz. jowar, bajra, maize, barley, ragi and all other foodgrains including coarsegrains) i) 60% on advances against stocks of other foodgrains to processing units/mills. ii) 75% on advances to parties other than processing units/mills. iii) 60% on advances against warehouse receipts covering stocks of "other foodgrains." **V. Exemption** i) Advances to mills/dealers against pledge/ hypothecation of paddy/rice held to the extent of the levy quota to be surrendered statutorily to the State Governments.		**C. OTHERS** i) Advances against the security of maize and barley to manufacturing units (i. e. industrial users) and against soji (rawa), flour (atta) and maida to biscuit manufacturers. ii) Advances against the security of, or by way of purchase of demand documentary bills drawn in connection with the movement of foodgrains. iii) Advances against high-yielding/hybrid seeds produced under contract with the National Seeds Corporation Ltd., Delhi, or a State Government or which bear the certification of the said Corporation or as the case may be, the concerned State Government or of any certification agencies authorised under the Seeds Act, 1966 and seeds notified under Sec. 5 of the said Act. iv) Advances to Khadi and Village Industries Commission and its associate institutions. v) Advances to Wholesale Consumers' Co-operative Stores and State/National Federations of Consumers' Co-operatives. vi) Advances upto an aggregate limit of Rs. 1 lakh per borrower are exempt from all the provisions of the Selective Credit Control subject to the condition that the borrower deals with one bank only. **D. Exports** Pre-shipment credit granted to exporters against the security of foodgrains on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances thereagainst in respect of export of foodgrains.

Notes :

i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which enables other banks to discount usance bills under the L/Cs.

ii) No bank shall advance against the security of any of the foodgrains where a ban on trading has been imposed in respect of that foodgrain except to wholesale or retail traders who are authorised by the State Government to deal in that foodgrain and to processing units to the extent to which and the manner in which such processing is allowed by the respective State Governments.

iii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns set up by Regulated Market Yards.

iv) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In case of advances mentioned at item C(vi) in column 3 above, however, these instructions will not be applicable.

v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i. e. composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

B. INDIGENOUS OILSEEDS (VIZ., GROUNDNUT, RAPESEED/MUSTARDSEED, COTTONSEED, CASTORSEED AND LINSEED) AND ALL IMPORTED OILSEEDS

Rate of Interest : 19.00 per cent (minimum) per annum for all loans/advances/cash credits/overdrafts

Minimum margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
1	2	3
Indigenous oilseeds (viz. groundnut, rapeseed, mustardseed, castorseed, cottonseed and linseed) and all imported oilseeds. i) 60% on advances to processing units/mills. ii) 75% on advances to parties other than processing units/mills iii) 60% on advances against warehouse receipts representing stocks of oilseeds, **Exemptions** 1. Advances against all imported oilseeds for a period not exceeding 8 weeks after arrival of the goods in India. 2. Advances to state level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oilseeds purchased from grower members. 3. Advances against stocks of oilseeds procured from grower members and of oils thereof to oilseeds processing units of State Co-operative Marketing Federations in Madhya Pradesh, Uttar Pradesh and Rajasthan set up under the aegis of National Co-operative Development Corporation (NCDC) under the European Economic Community assisted project.	In respect of each party, separate ceiling for each of (i) groundnut, (ii) cottonseed, (iii) linseed and castorseed together : 85% of the peak level of credit maintained by the party in any of the 3 years (November-October), viz., 1988-89, 1989-90 and 1990-91. **Exemptions** i) Advances against imported oilseeds. ii) Advances to state level oilseeds growers co-operative federations under the National Dairy Development Board's Oilseeds Project against stocks of oilseeds purchased from grower members. iii) Advances against stocks of oilseeds procured from grower members and of oils thereof to oilseeds processing units of State Co-operative Marketing Federations in Madhya Pradesh, Uttar Pradesh and Rajasthan set up under the aegis of National Cooperative Development Corporation (NCDC) under the European Economic Community assisted project.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and the State Trading Corporation against stocks of oilseeds. ii) Wholesale and retail dealers appointed/licensed by the Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution. iii) Advances to Central and State Government/Agencies entrusted with procurement of oilseeds at support prices fixed by the Government of India. **C. Exports** i) Credit limits in favour of exporters against oilseeds, all varieties of oil cakes meant for exports and extractions of oilseeds in respect of specific firm export contracts and/or against export bills. ii) Packing credit advances to exporters of HPS groundnut against the security of groundnut to the extent of the value of raw materials required (which should be reasonably assessed) for selecting HPS groundnut covered by the export order even though the value of raw materials exceed the value of the relative export order, provided that such advances to the extent of the value of the residual groundnut shall

1	2	3
		be adjusted, either by the sale proceeds of the residual groundnut or in cash, as soon as the selection of the HPS groundnut is completed, within 15 days from the date of such advances and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bill.
		D. Others
		i) Advances to Khadi and Village Industries Commission and its associate institutions.
		ii) Advances upto an aggregate limit of Rs. 1 lakh per borrower are exempt from all provisions of the Selective Credit Controls subject to the condition that the borrower deals with one bank only.
		iii) Advances granted by way of purchases of demand documentary bills drawn in connection with movements of commodities covered by the directive.
		iv) Advances to the Wholesale Consumers' Co-operative Stores and the State and National Federations of Consumers' Co-operatives.
		v) Advances against high-yielding and hybrid seeds used for growing oilseeds under contract with National Seeds Corporation Ltd., Delhi or a State Government or which bear the certification of the said Corporation or as the case may be, the concerned State Government or of any certification agencies authorised under Seeds Act, 1966 and seeds notified under Section 5 of the said Act.

1	2	3

Notes :

i) Banks should refrain from granting additional limits against oilseeds to parties other than Government and Government supported organisations; even in the case of such organisations, a strict scrutiny on drawals should be maintained.

ii) Usance bills arising out of the sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

iii) No bank shall issue, either to a Court or to Government, or any other person, a guarantee on behalf of, or on account of, any importers guaranteeing payment of customs duty and/or import duty, or other levies, payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin *equivalent to at least one half of the amount payable* under the guarantee. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iv) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns set up under a Government Scheme and godowns set up by Regulated Market Yards.

v) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In case of advances mentioned at item D (ii) in column 3 above, however, these instructions will not be applicable.

vi) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i. e. composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

C. VEGETABLE OILS (INDIGENOUS OILS, VIZ. GROUNDNUT OIL, RAPESEED OIL/MUSTARD OIL, CASTOR OIL, LINSEED OIL, COTTONSEED OIL) AND VANASPATI AND ALL IMPORTED OILS

Rate of interest : 19.00 per cent (minimum) per annum for all loans/advances/cash credits/overdrafts

Minimum margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
1	2	3
Indigenous and imported oils i) 60% to registered oil mills and vanaspati manufacturers ii) 75% to other than (i) above. iii) 60% against warehouse receipts representing stocks of oils. **Exemptions** i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for the distribution of essential consumer articles. ii) Advances against all imported vegetable oils for a period not exceeding 4 weeks after arrival of the goods in India. iii) Advances granted to vanaspati manufacturers against the security of imported oils used as raw materials by them in the manufacture of vanaspati. iv) Advances to state level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oils extracted from oilseeds purchased from grower members. v) Advances to vanaspati manufacturers against cottonseed oil.	In respect of each party, 85% of peak level of credit maintained by the party in any of the 3 years (November-October) viz., 1988,89, 1989-90 & 1990-91. **Exemptions** i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for distribution of essential consumer articles. ii) Advances against all imported vegetable oils. iii) Advances to state level oilseeds growers' co-operative federations under the National Diary Development Board's Oilseeds Project, against stocks of oils extracted from oilseeds purchased from grower members.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and the State Trading Corporation against the stocks of vegetable oils and vanaspati. ii) Wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution. **C. Exports** i) Packing credit advances to the exporters of deoiled and/or defatted cakes against the security of oilseeds and/or other raw material to the extent of the value of raw material required for producing cakes covered by the export order, even though the value of the raw material exceeds the value of the relative export order. **Provided** i) Such advances to the extent of the value of by-product oil shall be adjusted by the sale proceeds of the by-product oil or in cash as soon as the oil is extracted but within a period not exceeding 30 days from the date of advance and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills and advances, if any, against the by-product oil granted in a separate account are exempted for a period of 30 days from the date of such advance. ii) Pre-shipment credit granted to exporters against the security of vegetable oils on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances thereagainst in respect of export of vegetable oils.

1	2	3
		D. Others i) Advances by way of purchase of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati. ii) Advances to Khadi & Village Industries Commission and its associate institutions. iii) Advances upto an aggregate limit of Rs. 1 lakh per borrower from all provisions of the Selective Credit Controls subject to the condition that borrowers should deal with one bank only. iv) Advances against stocks of oil processed from linseed oil and castor oil for use as industrial raw material by factories. v) Advances against receivables arising out of sale of vegetable oils (including vanaspati) delivered to Army Purchase Organisation and against stocks of vanaspati held by vanaspati manufacturers for being delivered to the Army Purchase Organisation in the Ministry of Food and Agriculture, Government of India, New Delhi and with the prior approval of the Reserve Bank of India, other agencies designated for the purpose by the Central and State Governments, in pursuance of contracts entered into or to be entered into with the said organisation by the said manufacturers. vi) Advances to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives.
Banks should not establish letters of credit on more than 45 days' D/A basis for import of edible oils, as far as possible. In case banks establish letters of credit on more than 45 days' D/A basis, they should stipulate that, after 30 days from the date of arrival of the goods in the port, the importer will deposit with them an amount equivalent to the margin amount which he would have provided under the directives had he availed himself of advances against the commodity. Banks should refrain from granting additional limits against vegetable oils to parties other than Government and Government-supported Organisations; even in the case of such organisations a strict scrutiny on drawals should be maintained.		

Notes :

i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

ii) No bank shall issue, either to a Court or to Government, or any other person, a guarantee on behalf of or on account of, any importer guaranteeing payment of customs duty and/or import duty or other levies payable in respect of import of essential commodities without taking, as security for issue of such guarantees, cash margin *equivalent to at least one half of the amount payable under the guarantee*. The term 'essential commodities' shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns set up under a Government scheme and godowns set up by Regulated Market Yards.

iv) States and categories of advances indicated in column 3 above, though are exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued, prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities. In case of advances mentioned at item D (iii) in column 3 above, however, these instructions will not be applicable.

v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i. e. composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

D. SUGAR, GUR AND KHANDSARI

Rate of interest : 19.00 per cent (minimum) per annum for all loans/advances/cash credits/overdrafts

Minimum Margin	Exemption from minimum margin and rate of interest
1	2

1) **Advances against sugar**

(a) To sugar factories

i) Nil against Buffer stock stipulated by the Government.

ii) 75% on advances to parties manufacturing sugar in respect of such stocks as have been released for sale by the Government and have left the factory or mill premises and on which excise duty has been paid.

iii) 20% on advances to parties manufacturing sugar other than those referred to 1 (a) (ii) above.

(b) 75% to parties other than sugar factories

(c) 60% on advances against warehouse receipts covering stocks of sugar.

2) **Advances against Gur and Khandsari**

i) 45% on advances to manufacturing units.

ii) 75% on advances to others.

iii) 60% on advances against warehouse receipts covering stocks of gur and khandsari.

Exemption

Advances to Consumers' Co-operatives in respect of stocks held under schemes of public distribution organised by Government.

Public Procurement, Storage and Distribution Agencies

i) Advances to Food Corporation of India.

ii) Advances against sugar granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of quantum of sugar allotted to them by the Government.

B. **Exports**

Advances granted in respect of stocks of sugar pledged/hypothecated with banks which are intended for export out of India.

C. **Others**

i) Advances granted by way of purchase of demand documentary bills drawn in connection with movement of commodities.

ii) Advances granted to industrial users such as confectionaries, bakeries, biscuit manufacturers, etc. against stocks of sugar, gur and khandsari pledged/hypothecated with banks.

iii) Advances to Khadi and Village Industries Commission and its associate institutions.

iv) Advances upto an aggregate limit of Rs. 1 lakh per borrower from all provisions of the Selective Credit Controls subject to the condition that the borrower deals with one bank only.

v) Advances to Wholesale Consumers' Co-operative Stores and State/National Federations of Consumers' Co-operatives.

1	2

Notes :

(i) Stocks of levy sugar shall be valued at the levy price fixed by Government and the free sale sugar (including buffer stocks) at the average of the price realised in the preceding three months (moving average), or the current market price, whichever is lower. The prices for this purpose shall be exclusive of excise duty.

(ii) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

(iii) No bank shall issue, either to a Court or to Government, or any other persons, a guarantee on behalf of, or on account of, any importer guaranteeing payment of customs duty and/or import duty or other levies, payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin *equivalent to at least one half of the amount payable* under the guarantee. The term 'essential commodities' shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

(iv) States and categories of advances indicated in column 2 above, though are exempted from rate of interest and minimum margin prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In case of advances mentioned at item C (iv) in column 2 above, however, these instructions will not be applicable.

(v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i. e. composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

E. COTTON AND KAPAS

Rate of interest : 19.00 percent annum (minimum) for all loans/advances/cash credits/overdrafts

Minimum margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
1	2	3
i) 75% for parties other than cotton mills including spinning mills ii) 60% for advances against warehouse receipts. **Exemption** i) Advances against cotton and kapas to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for resale.	In respect of each party other than a cotton mill : 85% of the peak level of credit maintained by the party with the bank in any of the 3 years (November-October) viz., 1988-89, 1989-90 and 1990-91. **Exemption** i) Advances against cotton and kapas to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for resale.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Exports** i) Advances in respect of pre-shipment credit for cotton exports, provided the advances are made in respect of firm export order and repaid on negotiation of the relevant export bills on shipment. ii) Advances against the security of, or by way of purchase or discount of export bills relating to export of cotton from India. **C. Others** i) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of cotton and kapas. ii) Advances to Khadi and Village Industries Commission and its associate institutions. iii) Advances upto an aggregate limit of Rs. 1 lakh per borrower from all provisions of the Selective Credit Controls subject to the condition that borrowers should deal with one bank only. iv) Advances against stocks of cotton and kapas to National Textile Corporation (NTC) including its subsidiaries.

Notes :

(i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

(ii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns set up under Government Scheme or godowns set up by Regulated Market Yards.

(iii) States and categories of advances indicated in column 3 above, though are exempted from rate of interest, minimum margin and level of credit prescribed will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities. In case of advances mentioned at item C (iii) in column 3 above, however, these instructions will not be applicable.

(iv) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i. e. composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

(v) Advances granted to cotton textile mills shall continue to be exempt from Selective Credit Control measures.

CHAPTER VIII

Fiscal Developments

This Chapter[1] reviews the combined budgetary position of the Central and State Governments followed by a separate analysis of their budgetary operations including public debt and other liabilities. The finances of Railways and the Department of Posts and Telecommunications are analysed in subsequent Sections.

Combined Budgetary Position of Central and State Governments : 1991-92 and 1992-93

1991-92

The combined budgetary position of the Centre and States, according to the revised estimates of 1991-92, indicated that while the combined budget deficit[2] stood lower at Rs. 8,699 crore in the revised estimates as compared with Rs. 8,913 crore in the budget, there was a sharp deterioration in the revenue deficit from Rs. 17,859 crore in the budget estimates to Rs. 22,424 crore in the revised estimates (Table VIII-1). The worsening of the revenue deficit was due to an increase in expenditure coupled with a decline in tax revenue, particularly in respect of commodities and services, which offset the improvement in non-tax receipts. Despite the reductions effected in capital outlay and net lending to soften the impact of the large revenue deficit, the overall borrowing requirements of the Centre and States, as represented by the Gross Fiscal Deficit (GFD) could not be contained within the budget estimates and the same increased by Rs. 1,893 crore to Rs. 48,928 crore in the revised estimates. The actual position of the Centre and States during 1991-92, on the basis of RBI records, indicated an improvement in Government's finances. Centre's deficit was placed lower at Rs. 6,492 crore, after closure of accounts (from Rs. 7,032 crore in the revised estimates) while States' deficit of Rs. 1,667 crore had, in fact, turned into a surplus of Rs. 953 crore. Consequently, net RBI credit to the States was —Rs. 340 crore in 1991-92 after closure of accounts as against Rs. 420 crore in 1990-91 (Table VIII-2). Net RBI credit to the Centre also registered a steep decline from Rs. 14,746 crore in 1990-91 to Rs. 5,508 crore in 1991-92.

Table VIII-1 : Combined Deficits of Centre and States

(Rs. crores)

	1990-91	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
Gross Fiscal Deficit	53,597 (10.1)	47,035 (7.7)	48,928 (8.0)	46,357 (6.7)
Revenue Deficit	23,871 (4.5)	17,859 (2.9)	22,424 (3.7)	17,430 (2.5)
Budget Deficit	11,275 (2.1)	8,913 (1.5)	8,699 (1.4)	5,271 (0.8)
Monetised Deficit#	15,166 (2.9)		5,168 (0.8)	. .

Actuals as per RBI Records.

Note : Figures in brackets represent percentage to GDP.

The overall financial position, according to the revised estimates for 1991-92,[3] showed a significant improvement over the previous year i.e.

1. Data presented in this Chapter relate to the fiscal year (April-March).
2. Budgetary deficit or surplus is measured
   (a) in the case of the Central Government by (i) net increase/decrease in outstanding Treasury Bills and (ii) Withdrawals from/addition to cash balances; and (b) in the case of States by the State budget figures of (i) net increase/decrease in the RBI credit in the form of ways and means advances (repayable in 90 days) and overdrafts (repayable in 7 working days) (ii) decline in/ additions to cash balances; and (iii) net sales/purchase of securities held by States in their Cash Balance Investment Account.
3. All reference to 1991-92 and 1990-91 relate to revised estimates and accounts, respectively unless stated otherwise

Table VIII-2 : Trends in Budgetary Deficits and Net RBI Credit to Government

(Rs. crores)

Year	Budgetary Surplus(+)or Deficit(—)(a)			Net RBI Credit to Governments (b)		
	Centre	States	Total	Centre	States	Total
1.	2.	3.	4.	5.	6.	7.
1971-72	—519	—289	—808	583	287	870
1972-73	—869	—7	—876	1,211	—386	825
1973-74	—328	—226	—554	630	134	764
1974-75	—721	—31	—752	528	134	662
1975-76	—366	+75	—291	—288	91	—197
1976-77	—131	+50	—81	816	22	838
1977-78	—933	—229	—1,162	—260	142	—118
1978-79	—1,506	1,010	—496	2,191	—419	1,772
1979-80	—2,433	—187	—2,620	2,650	339	2,989
1980-81	—2,477	—897	—3,374	3,551	487	4,038
1981-82	—1,400	—1,020	—2,420	3,207	789	3,996
1982-83	—1,656	—820	—2,476	3,368	—860*	2,508*
1983-84	—1,417	—551	—1,968	3,949	38	3,987
1984-85	—3,745	—1,438	—5,183	6,055	1,485	7,540
1985-86	—5,315	+1,688	—3,627	6,190	—1,862	4,328
1986-87	—8,261	—890	—9,151	7,091	516	7,607
1987-88	—5,816	+234	—5,582	6,559	—157	6,402
1988-89	—5,642	+164	—5,478	6,503	425	6,928
1989-90	—10,592	—161	—10,753	13,813	255	14,068
1990-91	—11,347	+72	—11,275	14,746	420	15,166
1991-92 (B.E.)	—7,719	—1,194	—8,913			
1991-92 (R.E.)	—7,032	—1,667	—8,699	5,508	—340	5,168
1992-93 (B.E.)	—5,389	+118 **	—5,271	5,389	. .	. .

(a) For definition, see Foot note no. 2 of this Chapter.

(b) Comprising net changes in (i) RBI holdings of Treasury Bills, other Government Securities, rupee-coins in Issue Department, loans and advances to State Governments and (ii) Government's balances with the RBI so that an increase in cash balances will imply a decline in RBI credit to Government and vice versa. Data refer to full fiscal year (i. e. from April to March) and take into account adjustment made at the time of final closure of Government Accounts.

* These disregard changes in components of sources on July 12, 1982, following reclassification of aggregates necessitated by the establishment of NABARD.

** Regarding State Governments, data relating to 7 States are from Vote-on-Account Budgets.

1990-91. The combined GFD was lower by Rs. 4,669 crore from Rs. 53,597 crore in 1990-91 to Rs. 48,928 crore in 1991-92; its share in GDP declined from 10.1 per cent to 8.0 per cent over the period. The combined revenue and budget deficits were also lower by Rs. 1,447 crore and Rs. 2,576 crore, respectively. The specific steps taken by the Centre to improve the fiscal situation over the previous year are elaborated subsequently.

The reduction in budget deficit was brought about by a larger increase in aggregate receipts coupled with moderation in the rate of growth of aggregate disbursements. Aggregate receipts at Rs. 1,80,665 crore[4] in 1991-92 were higher by 16.1 per cent as against an increase of 13.7 per cent in 1990-91 (Table VIII-3). Aggregate disbursements at Rs. 1,89,364 crore, increased by 13.5 per cent in 1991-92 which was only a shade higher than that of 13.1 per cent in the previous year.

4. Please refer to Statement 85 in Volume II of the Report for a trend analysis in respect of combined aggregate receipts and disbursements.

TABLE VIII-3 : COMBINED RECEIPTS AND DISBURSEMENTS OF THE CENTRAL AND STATE GOVERNMENTS

(Rs. crores)

Item	1988-89 (Accounts)	1989-90 (Accounts)		1990-91 (Accounts)		1991-92 (Budget Estimates)		1991-92 (Revised Estimates)		1992-93 + (Budget Estimates)	
	Amount	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year
1	2	3	4	5	6	7	8	9	10	11	12
I. Total Disbursements @	**1,28,245**	**1,47,324**	**15.0**	**1,66,836**	**13.1**	**1,87,006**	**12.1**	**1,89,364**	**13.5**	**2,04,416**	**7.9**
of which:											
1. Developmental (a+b+c)	**78,983**	**88,790**	**12.4**	**98,690**	**11.1**	**1,06,337**	**7.7**	**1,09,229**	**10.7**	**1,11,947**	**2.5**
a) Revenue	52,323	63,158	20.7	71,290	12.9	77,197	8.3	80,979	13.6	82,969	2.5
b) Capital	13,339	15,085	13.1	16,364	8.5	17,647	7.8	16,355	−0.1	18,009	10.1
c) Loans	13,321	10,547	−20.8	11,036	4.6	11,493	4.1	11,895	7.8	10,969	−7.8
2. Non-Developmental (a+b+c)	**45,940**	**54,808**	**19.3**	**63,411**	**15.7**	**73,850**	**16.5**	**73,282**	**15.6**	**84,920**	**15.9**
a) Revenue	41,507	49,823	20.0	57,554	15.5	67,723	17.7	67,594	17.4	78,562	16.2
b) Capital	4,113	4,690	14.0	5,006	17.2	5,755	4.7	5,272	5.3	5,911	12.1
c) Loans	320	295	−7.8	851	188.5	372	−56.3	416	−51.2	447	7.7
II. Total Receipts (A+B)	**1,22,767**	**1,36,805**	**11.4**	**1,55,561**	**13.7**	**1,78,093**	**14.5**	**1,80,665**	**16.1**	**1,99,145**	**10.2**
A. Revenue Receipts	**82,195**	**98,041**	**19.3**	**1,05,757**	**7.9**	**1,27,971**	**21.0**	**1,27,078**	**20.2**	**1,45,093**	**14.2**
of which:											
i) Tax receipts (a+b+c)	66,818	77,441	15.9	87,564	13.1	1,03,582	18.6	1,01,940	16.4	1,16,580	14.4
a) Taxes on Commodities and Services	54,746	63,495	16.0	72,242	13.8	84,486	−10.7	82,046	13.6	93,650	14.1
b) Taxes on Income and Property	11,243	13,026	15.9	14,267	9.5	18,114	27.0	18,590	30.3	21,366	14.9
c) Taxes of Union Territories (Without Legislatures)	829	920	11.0	1,055	14.7	1,282	21.7	1,304	23.6	1,564	19.9
ii) Non-tax Receipts	15,377	20,600	34.0	18,193	−11.7	24,089	32.4	25,138	38.2	28,513	13.4
B. Capital Receipts	**40,572**	**38,764**	**—4.5**	**49,804**	**28.5**	**50,122**	**0.6**	**53,587**	**7.6**	**54,052**	**0.9**
Of which:											
i) Market Borrowings (Gross)	11,069	10,211	−7.8	11,189	9.6	11,577	3.5	11,821	5.6	9,350	−20.9
ii) Market Borrowings (Net)	10,331	9,273	−10.2	10,185	9.8	10,139	−0.5	10,375	1.9	7,940	−23.5
iii) Small Savings (Net)	5,835	8,575	47.0	9,104	6.2	8,000	−12.1	6,400	−29.7	7200	12.5
iv) State Provident Funds (Net)	2,592	3,004	15.9	3,709	23.5	3,420	−7.8	3,894	5.0	4,608	18.3

TABLE VIII-3 : COMBINED RECEIPTS AND DISBURSEMENTS OF CENTRAL & STATE GOVERNMENTS (Concld.)

(Rs. crores)

Item	1988-89 (Accounts)	1989-90 (Accounts)		1990-91 (Accounts)		1991-92 (Budget - Estimates)		1991-92 (Revised Estimates)		1992-93 + (Budget Estimates)	
	Amount	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year
1	2	3	4	5	6	7	8	9	10	11	12
III. Overall Surplus (+)/Deficit (-) (II-I)	**—5,478**	**—10,719**		**—11,,275**		**—8,913**		**—8,699**		**—5,271**	
Financing of Surplus (+)/Deficit (-)											
i) Increase (+) or Decrease (-) in cash balance of the Centre and States	+286	+364		+156		−1,240		−3,392		+341	
ii) Increase (-) or Decrease (+) in Treasury Bills of the Centre	−6,245	−10,911		−11,769		−7,719		−5,196		−5,389	
iii) Withdrawals from (-) or Additions to (+) Cash Balances Investment Accounts to States (Net)	+650	+60		+265		−5		−363		−150	
iv) Increase (-) or Decrease (+) in Ways and Means Advances and Overdrafts from RBI to States (Net)	−169	−232		+73		+51		+252		−73	
IV. I as per cent of GDP *	**32.3**	**32.5**		**31.4**		**30.7**		**31.1**		**29.4**	
V. II as per cent of GDP*	**31.0**	**30.1**		**29.3**		**29.2**		**29.6**		**28.7**	
VI. IIA as per cent of GDP*	**20.7**	**21.6**		**19.9**		**21.0**		20.8		20.9	
VII.IIA (i) as per cent of GDP*	**16.8**	**17.1**		**16.5**		**17.0**		**16.7**		**16.8**	

Note : Data relate to 25 State Goverments. Data relating to State Governments for 1990-91 to 1992-93 are from Vote-on-Account Budgets of 7 States and Final Budgets of 18 States. Further, data in respect of Nagaland, Bihar and Jammu and Kashmir for the year 1990-91 are Revised Estimates.

\+ Including effects of budget proposals.

@ The sum of Develompental and Non-Developmental expenditure will not add up to Total Disbursements of the Central and State Governments due to the inclusion of 'Other' disbursements which comprise discharge of internal and external debt, compensation and assignments to local bodies and Panchayat Raj Institutions, appropriation to contingency funds and net remittances and are adjusted for figures of repayments of loans by State Governments to the Central Government.

* Figures may differ from those published earlier due to revision in the figures of GDP.

Source : Budgets of the Central and State Governments.

The improvement in aggregate receipts was mainly due to the buoyancy in revenue receipts, the major component, which increased by 20.2 per cent in 1991-92 to Rs. 1,27,078 crore as compared with an increase of 7.9 per cent in 1990-91. On the other hand, the rate of growth in capital receipts slowed down considerably to 7.6 per cent in 1991-92 from 28.5 per cent in the previous year. The deceleration in capital receipts reflected the concerted efforts of the Centre to restrict its overall borrowing requirements.

Under revenue receipts, tax receipts at Rs. 1,01,940 crore in 1991-92 improved by 16.4 per cent as compared with an increase of 13.1 per cent in 1990-91. Notwithstanding the higher growth rate, the tax-GDP ratio at 16.7 per cent remained slightly higher than the previous year's level. While tax revenue from commodities and services, which constitutes over 80 per cent of the total, registered a marginal decline in growth rate from 13.8 per cent in 1990-91 to 13.6 per cent in 1991-92, tax receipts from income and property witnessed a sharp jump from 9.5 per cent to 30.3 per cent over the year. Non-tax receipts which account for less than 20 per cent of revenue receipts, also recorded a substantial growth of 38.2 per cent to Rs. 25,138 crore in 1991-92 as against a decline of 11.7 per cent in the previous year.

Capital receipts increased by 7.6 per cent to Rs. 53,587 crore in 1991-92 which represented a substantial slowing down from the rate of growth of 28.5 per cent witnessed in 1990-91. The deceleration in capital receipts was on account of sluggish pace of accruals under the major components viz. market borrowings, small savings and State provident funds. While the rates of growth of gross market borrowings and State provident funds at 5.6 per cent and 5.0 per cent, respectively were substantially lower than those of 9.6 per cent and 23.5 per cent, respectively, during the previous year, small savings collections at Rs. 6,400 crore registered a sharp decline of 29.7 per cent as against an increase of 6.2 per cent during the previous year.

Aggregate disbursements of the Centre and States increased by 13.5 per cent in 1991-92 which was slightly higher than the growth of 13.1 per cent in 1990-91. Consequently, the share of aggregate disbursements in GDP declined marginally from 31.4 per cent in 1990-91 to 31.1 per cent in 1991-92. Within aggregate disbursments, developmental expenditure registered an increase of 10.7 per cent, as against 11.1 per cent during the previous year. On the other hand, non-developmental expenditure increased by 15.6 per cent almost the same as in 1990-91. However, the share of non-developmental expenditure in the total went up from 38 per cent in 1990-91 to 38.7 per cent in 1991-92 while that of developmental expenditure declined from 59.2 per cent to 57.7 per cent. In recent years, there has been a tendency for the growth in non-developmental expenditure to outpace that in developmental expenditure and, as the respective growth rates indicated above show, the year under review was no exception to this trend.

The fiscal operations of the Centre and States also brought about a transformation in the financing pattern of the combined budget deficit. While in 1990-91, the surplus of Rs. 72 crore on the States' account had partly offset the large deficit of Rs. 11,347 crore of the Centre, the position in the following year showed that the share of the States' had increased to 19.2 per cent (Rs. 1,667 crore). The Centre's share though lower at 80.8 per cent (Rs. 7,032 crore) in 1991-92, continued to constitute a major part of the financing of the combined budget deficit.

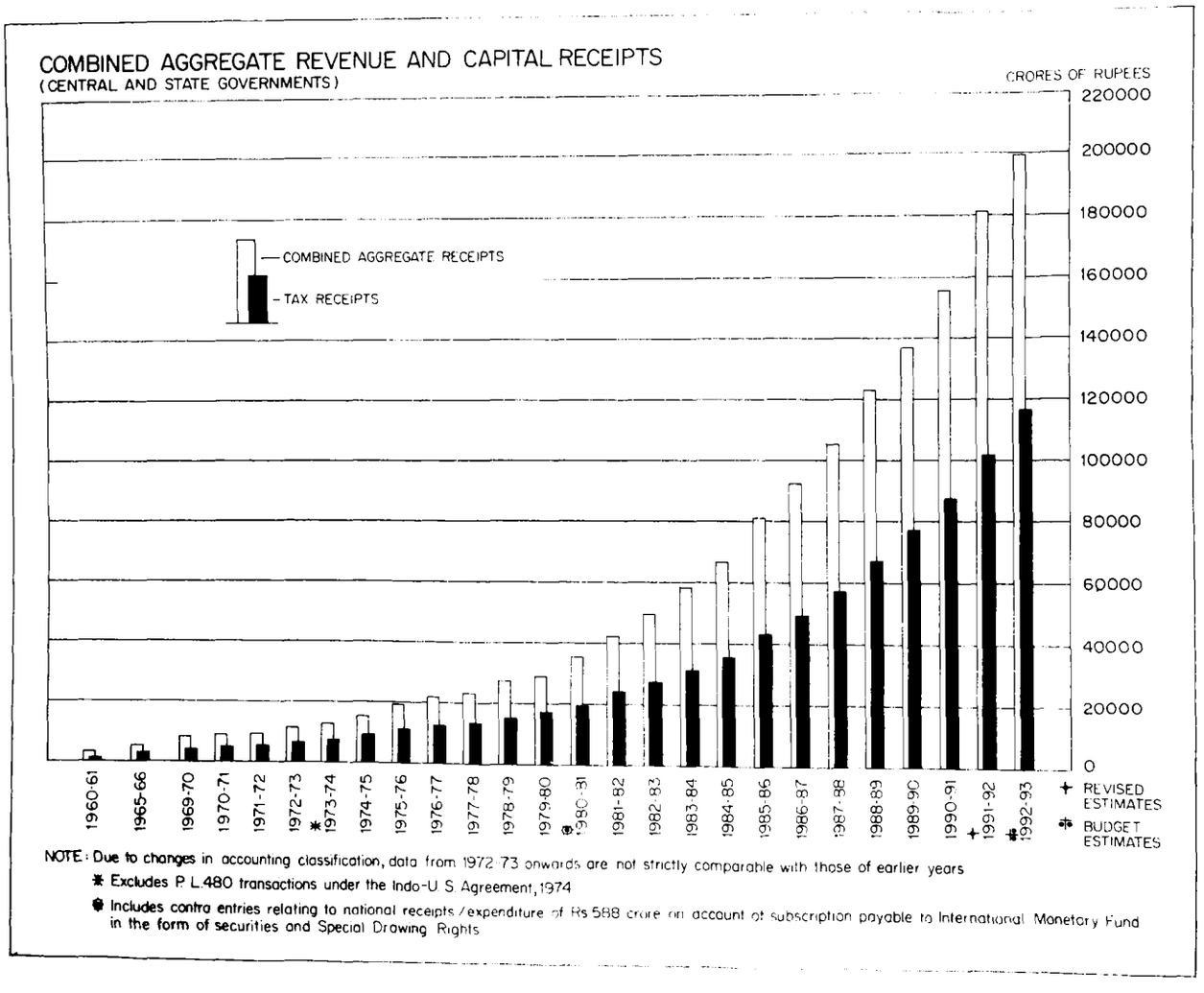
1992-93

Reflecting continued efforts of the Government in restoring fiscal viability, the combined GFD of the Centre and State is estimated to decline from Rs. 48,928 crore in 1991-92 to Rs. 46,357 crore in 1992-93 implying a reduction of Rs. 2,571 crore (—5.3 per cent) (Table VIII-1). The revenue deficit is estimated to decrease significantly by Rs. 5,012 crore to Rs. 17,430 crore in 1992-93 while the combined budget deficit is expected to be brought down to Rs. 5,271 crore from Rs. 8,699 crore in 1991-92. The combined budgetary position of the States during the current year indicates a surplus of Rs. 118 crore in sharp contrast to a sizeable deficit of Rs. 1,667 crore during last year. Centre's budgetary position is

also expected to improve with the deficit placed lower at Rs. 5,389 crore as against Rs. 7,032 crore last year.

The aggregate receipts of the Centre and States are estimated at Rs. 1,99,145 crore in 1992-93 which represents a growth of 10.2 per cent as compared with 16.1 per cent in the previous year (Table VIII-3). The deceleration is on account of slower rates of growth in respect of both the revenue and capital components. Revenue receipts at Rs. 1,45,093 crore would rise by 14.2 per cent as against 20.2 per cent in 1991-92. Within revenue receipts, tax receipts are budgeted to rise by 14.4 per cent to Rs. 1,16,580 crore as compared with an increase of 16.4 per cent in 1991-92. As a result, the tax-GDP ratio in 1992-93 is expected to be slightly higher than the previous year's level of 16.7 per cent. The rise in tax receipts would be mainly under levies on commodities and services which would increase by Rs. 11,604 crore or 14.1 per cent in 1992-93 as against 13.6 per cent in the previous year. On the other hand, tax receipts from income and property would sharply decelerate to 14.9 per cent from 30.3 per cent in last year. Non-tax receipts are estimated at Rs. 28,513 crore which represents a growth of 13.4 per cent as against 38.2 per cent in 1991-92.

Reflecting the Government's efforts to contain the level of borrowings, the rate of growth in capital receipts is estimated to decline further to 0.9 per cent in 1992-93 from 7.6 per cent in



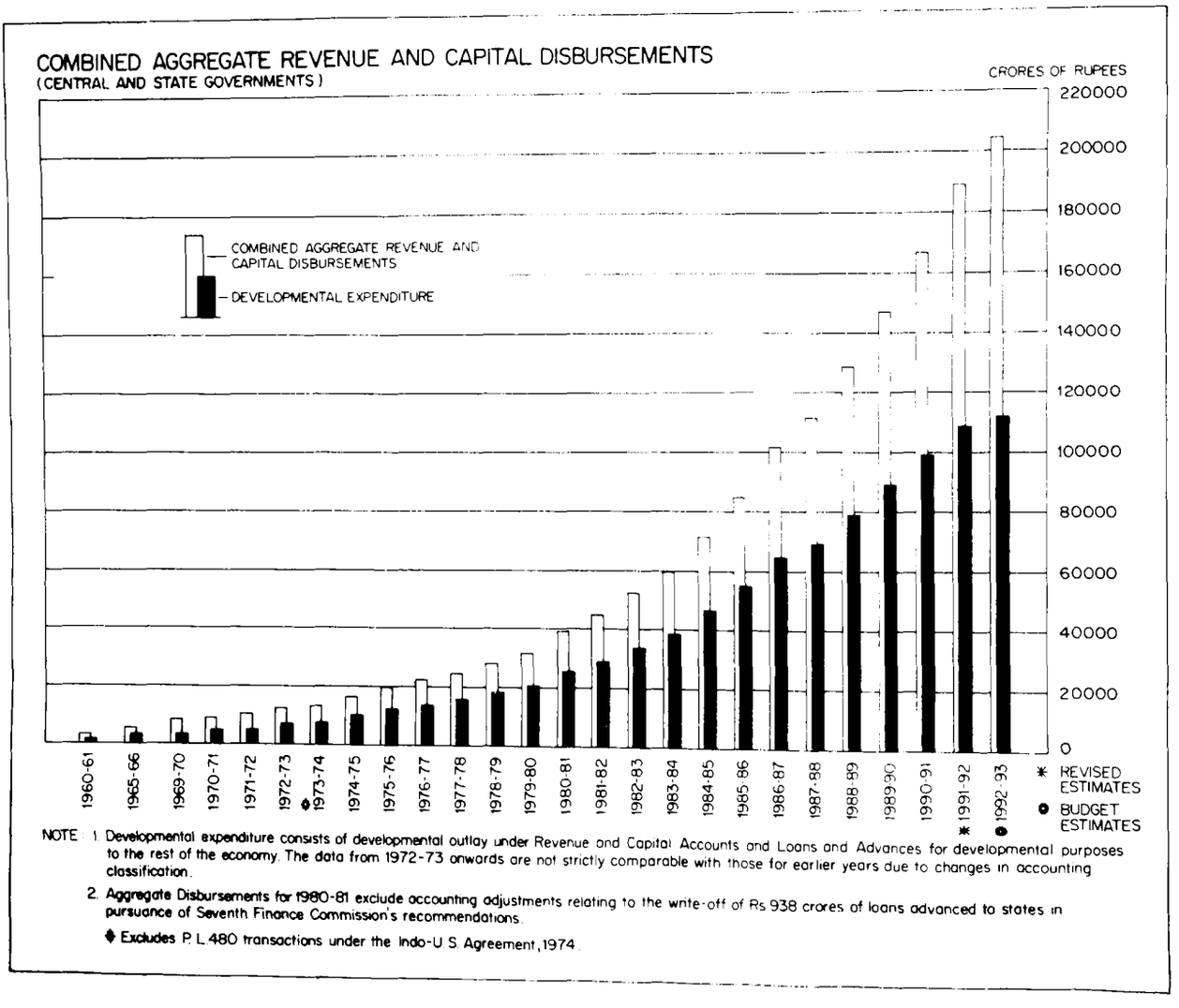
NOTE: Due to changes in accounting classification, data from 1972-73 onwards are not strictly comparable with those of earlier years

* Excludes P.L.480 transactions under the Indo-U.S. Agreement, 1974

@ Includes contra entries relating to national receipts/expenditure of Rs.588 crore on account of subscription payable to International Monetary Fund in the form of securities and Special Drawing Rights

1991-92 and 28.5 per cent in 1990-91. Within capital receipts, while gross market borrowings are estimated to decline by 20.9 per cent to Rs. 9,350 crore, small savings at Rs. 7,200 crore are expected to be higher by 12.5 per cent as against a fall of 29.7 per cent in the previous year. The rate of growth in State provident funds is estimated to rise to 18.3 per cent from 5 per cent in 1991-92.

The aggregate disbursements of the Centre and States are budgeted at Rs. 2,04,416 crore in 1992-93 which represents a fall in the rate of growth to 7.9 per cent from 13.5 per cent in 1991-92. This reduction would be primarily reflected in revenue expenditure. A functional disaggregation of expenditure shows that while non-developmental expenditure would grow by 15.9 per cent in 1992-93 on top of an increase of 15.6 per cent in 1991-92, developmental expenditure is expected to rise by only 2.5 per cent as compared with 10.7 per cent last year. Consequently, the share of developmental expenditure in the total would decline further to 54.8 per cent in 1992-93 from 57.7 per cent in 1991-92 while that of non-developmental expenditure would rise to 41.5 per cent from 38.7 per cent in the previous year.



NOTE: 1. Developmental expenditure consists of developmental outlay under Revenue and Capital Accounts and Loans and Advances for developmental purposes to the rest of the economy. The data from 1972-73 onwards are not strictly comparable with those for earlier years due to changes in accounting classification.

2. Aggregate Disbursements for 1980-81 exclude accounting adjustments relating to the write-off of Rs.938 crores of loans advanced to states in pursuance of Seventh Finance Commission's recommendations.

♦ Excludes P.L.480 transactions under the Indo-U.S. Agreement, 1974.

I. Budgetary Operations of the Union Government

Central Finances : 1991-92

Central Government finances in 1991-92 were characterised by a distinct shift in policy towards expenditure restraint and fiscal correction as against the expansionary stance adopted in the previous decade. It may be recalled that the decade of the eighties had witnessed the emergence of large fiscal imbalances which over the years, attenuated the sustainability of a viable fiscal system. The main cause for the burgeoning resource gap of the Centre, as measured by the Gross Fiscal Deficit (GFD), was the faster rate of growth of aggregate disbursements than that of revenue receipts. As a consequence, the GFD-GDP ratio increased from 6.1 per cent in 1980-81 to 8.4 per cent in 1990-91. A direct fallout of the increasing borrowing requirements of the Centre was the growing volume of its indebtedness; total outstanding liabilities of the Centre accounted for 59.3 per cent of GDP in 1990-91 as compared with 43.9 per cent in 1980-81. Apart from the escalating levels of GFD, a disconcerting aspect during the decade related to the over four-fold increase in net RBI credit to the Central Government as measured by the monetised deficit. The creation of excess liquidity to finance the resource gap of the Centre was largely responsible for the building up of inflationary pressures in the economy. Another area of particular concern is the sharp increase in revenue deficit in recent years primarily as a result of rising levels of interest payments, subsidies, defence and grants to States coupled with an inadequately elastic response of the tax system. The need to finance the gap in the revenue account set in motion a vicious circle of debt, interest payments and deficit—a phenomenon which seriously undermined the viability of a sound fiscal system.

Against the backdrop of an unsustainable fiscal regime exacerbated by the impact of the Gulf crisis of 1990-91, the Union budget for 1991-92 had initiated a process of fiscal adjustment aimed at bringing about macro-economic stabilisation. The budget also proposed major structural reforms in the areas of foreign investment, financial system and capital market, consistent with the objective of achieving a sustainable long-term growth.

As a first step towards correcting fiscal imbalances, the budget had envisaged a reduction in the GFD-GDP ratio from 8.4 per cent in 1990-91 to 6.5 per cent[5] in 1991-92. Further, monetised deficit was expected to be brought down sharply from Rs. 14,746 crore in 1990-91 to Rs. 7,719 crore in 1991-92. A significant reduction in the revenue deficit from Rs. 18,562 crore to Rs. 13,854 crore was also anticipated. The fiscal correction was expected to be carried out through a combination of measures comprising expenditure contraction and resource mobilisation. In particular, economy in expenditure was envisaged under export and indigenous fertiliser subsidies, non-Plan grants to States and non-Plan loans to public enterprises. Simultaneously, the Central Government expected to mobilise substantial revenue through additional taxation and by disinvestment in selected Central Public Sector Enterprises (PSEs).

The revised estimates for 1991-92 indicated that the process of fiscal correction was broadly in line with the budgetary expectations of that year. While the GFD at Rs. 37,792 crore was only Rs. 65 crore higher than the budget estimates, the budget deficit and monetised deficit at Rs. 7,032[6] crore and Rs. 5,508 crore,[7] respectively, were contained well within the budget estimates (Tables VIII-4 & 5). However, revenue deficit at Rs. 17,081 crore, exceeded the budget estimates by Rs. 3,227 crore (23.3 per cent). The deterioration in the revenue account, was primarily due to a shortfall in customs duty (—Rs. 3,005 crore)[8] following import containment measures, a decline in excise

5. Inclusive of OCC and others.
6. As per Budget document. The deficit according to RBI Records after closure of Government Accounts as on March 31, 1992 was Rs. 6,492 crore.
7. Actuals as per RBI records. The budget documents had placed it at Rs. 8,800 crore for 1991-92 (Revised Estimates).

duty (net) (—Rs. 109 crore) and higher expenditure on defence (Rs. 329 crore), grants to State Governments (Rs. 865 crore) and subsidies (Rs. 1,895 crore).

Among the major subsidies, expenditure on fertiliser subsidy increased from Rs. 4,000 crore to Rs. 4,800 crore on account of the subsequent decision to restrict the actual price increase to 30 per cent as against 40 per cent assumed in the budget and also on account of an increase in the rupee cost of imported fertilisers. Moreover, an additional provision of Rs. 405 crore had to be made in the revised estimates in view of the exemption granted to small and marginal farmers from the price increase. The delay in effecting an increase in issue prices for foodgrains resulted in food subsidies going up by Rs. 250 crore over the budget estimates. In addtion, an additional provision of Rs. 550 crore was made for export subsidies to provide for residual claims under the Cash Compensatory Scheme.

On the other hand, in the capital account, loans to States against Small Savings fell short of the budget estimates by Rs. 1,365 crore following a decline in collections. Since the decline in disbursements was not sufficient to offset the deterioration in the revenue account, provisions for some major items had to be scaled down from their budgeted levels so as to keep the GFD within the target; these were assistance (loans) for State and Union Territory Plans (—Rs. 492 crore),[9] defence capital outlay (—Rs. 328 crore)[10] and other non-Plan capital outlay (—Rs. 310 crore). Consequently, the fall in capital disbursements worked out to Rs. 2,567 crore. Capital receipts on the other hand, were higher than budgeted by Rs. 1,347 crore. While market loans and proceeds from disinvestment were maintained at their budgeted levels of Rs. 7,500 crore and Rs. 2,500 crore, respectively, the items which witnessed increases were external loans (Rs. 1,553 crore), receipts from 182 Days Treasury Bills (Rs. 1,700 crore) and recovery of loans (Rs. 595 crore). This increase more than offset the fall in Small Savings Collections (—Rs. 1,690 crore) and Special Deposits (—Rs. 380 crore). The net result of these transactions was that capital surplus went up by Rs. 3,194 crore which in turn helped to reduce

Table VIII-4 : Alternative measures of deficit of the Central Government

(Rs. crores)

	1980-81	1985-86	1990-91	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
Gross fiscal Deficit	8,299	21,857	44,650	37,727	37,792	34,408
	(6.10)	(8.33)	(8.41)	(6.19)	(6.20)	(4.95)
Primary Deficit	7,490	18,940	31,909	21,286	21,839	15,872
	(5.50)	(7.22)	(6.01)	(3.49)	(3.58)	(2.28)
Monetised Deficit #	3,551	6,190	14,746	7,719 +	5,508	5,389 +
	(2.61)	(2.36)	(2.78)	(1.26)	(0.90)	(0.78)
Budget Deficit	2,477	5,315	11,347	7,719	7,032	5,389
	(1.82)	(2.03)	(2.14)	(1.26)	(1.15)	(0.78)
Revenue Deficit	2,037	5,888	18,862	13,854	17,081	13,882
	(1.50)	(2.25)	(3.55)	(2.27)	(2.80)	(2.00)

\+ According to Budget documents.
\# Actuals as per RBI records.
Note : Figures in brackets are percentages to GDP.

8. In fact, the shortfall would have been much higher but for the fact that the revised estimates included receipts from the sale of confiscated gold and silver under customs revenue whereas the budget estimates had earlier shown them under non-tax revenue; such receipts were higher by Rs. 421 crore in the revised estimates.

9. The revenue component (grants) was, however, stepped up by Rs. 1,143 crore and consequently, total Central assistance for State and UT Plans increased by Rs. 651 crore over the budget estimates.

10. Taking into account the increase of Rs. 328 crore in the revenue component, total expenditure on defence in 1991-92 was maintained at the budgeted level of Rs. 16,350 crore.

TABLE VIII-5 : BUDGETARY POSITION OF THE GOVERNMENT OF INDIA

(Rs. crores)

Item	1988-89 (Accounts)	1989-90 (Accounts)	1990-91 (Accounts)	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)*
1	2	3	4	5	6	7
I. Revenue Account						
A. Revenue	45,740	54,614	57,650	70,870	70,114	79,648
B. Expenditure	56,255	66,526	76,212	84,724	87,195	93,530
C. Surplus (+)/Deficit (-)	−10,515	−11,912	−18,562	− 13,854	−17,081	3,882
II. Capital Account						
A. Revenue **	29,878	30,018	39,015	38,174	39,521	38,010
B. Expenditure **	25,005	28,698	31,800	32,039	29,472	29,517
C. Surplus (+)/Deficit (-)	+4,873	+1,320	+ 7,215	+ 6,135	+ 10,049	+ 8,493
III. Overall Surplus (+)/Deficit (-)	−5,642	−10,592	−11,347	−7,719	−7,032	−5,389

* Includes effect of Budget proposals. Post budget tax concessions are not adjusted.

** Includes loans to States against Small Savings Collections and Railway capital expenditure matched by receipts.

the budget deficit to Rs. 7,032 crore — 9 per cent lower than the original anticipation.

In effect, therefore, the success of the fiscal adjustment programme was reflected in the significant reductions in the levels of GFD, monetised deficit and budget deficit during 1991-92 as compared with those in 1990-91 (Table VIII-4). GFD, in particular, declined by Rs. 6,858 crore (—15.4 per cent) from Rs. 44,650 crore in 1990-91 to Rs. 37,792 crore in 1991-92. As a ratio to GDP, it was reduced from 8.4 per cent to 6.5 per cent over the period. The reduction in primary deficit (GFD minus net interest payments) which reflects the impact of current discretionary fiscal operations, was even more substantial from Rs. 31,909 crore in 1990-91 to Rs. 21,839 crore in 1991-92 (—31.6 per cent). The size of the revenue deficit, however, continued to remain a matter of concern in 1991-92. An analysis of the composition of GFD showed that despite a reduction of Rs. 1,481 crore (—7.8 per cent), revenue deficit, in fact, accounted for 45.2 per cent of the GFD in 1991-92 as against 41.6 per cent in 1990-91 (Table VIII-6).The share of revenue deficit in GFD was placed at 24.5 per cent in 1980-81. A corresponding decline occurred in the share of capital outlay and net lending in GFD over the decade. It may be relevant to mention here that the impact of the fiscal correction on capital disbursements would have been more severe in 1991-92 but for the mobilisation of resources through disinvestment.

The compositional change in the GFD in the context of fiscal adjustment can be ultimately traced to the emerging pattern of expenditure and receipts (Table VIII-7).

It can be observed from the Table VIII-7 that the ratio of total expenditure (including net lending) to GDP which had increased from 15.5 per cent in 1980-81 to more than 19 per cent in 1985-86 and 1990-91, was brought down to 18.1 per cent in 1991-92. Within total expenditure, however, the share of revenue expenditure in GDP at 14.3 per cent in 1991-92, did not reveal a significant reduction over 1990-91 and was, in fact, substantially higher than that of 10.9 per cent in 1980-81. Among the major components of revenue expenditure, interest payments, defence, subsidies and non-Plan grants to States and Union Territories witnessed a relentless increase during the previous decade. In fact, in 1991-92, apart from non-Plan grants to States and Union Territories, no reduction was effected in the other three components over their levels in 1990-91. The expenditure on these four major items

Table VIII-6 : Composition of Gross Fiscal Deficit

(Rs. crores)

	1980-81	1985-86	1990-91	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1. Revenue Deficit	2,037 (24.5)	5,888 (26.9)	18,562 (41.6)	13,854 (36.7)	17,081 (45.2)	13,882 (40.3)
2. Capital Outlay	3,072 (37.0)	6,027 (27.6)	12,148 (27.2)	12,827 (34.0)	11,545 (30.5)	12,558 (36.5)
3. Net Lending	3,189 (38.5)	9,942 (45.5)	13,940 (31.2)	13,546 (35.9)	11,666 (30.9)	10,468 (30.4)
4. Disinvestment of equity holdings of Public Sector Undertakings	—	—	—	2,500 (6.6)	2,500 (6.6)	2,500 (7.2)
5. Gross Fiscal Deficit (1+2+3–4)	8,299 (100.0)	21,857 (100.0)	44,650 (100.0)	37,727 (100.0)	37,792 (100.0)	34,408 (100.0)

Note : Figures in brackets are percentages to Gross Fiscal Deficit.

accounted for 8.8 per cent of GDP in 1991-92 as compared with 9.1 per cent in 1990-91 and 6.3 per cent in 1980-81. On the other hand, revenue receipts did not reflect sufficient buoyancy; its share in GDP increased by about 2 percentage points over the period 1980-81 to 1991-92. Within revenue receipts, the share of net tax revenue in GDP remained stagnant at 8.1 per cent since the mid eighties. Consequently, the extent of pre-emption of revenue receipts by the four major items of revenue expenditure increase from 67 per cent in 1980-81 to as much as 84.4 per cent in 1990-91; though, it declined to 77.9 per cent in 1991-92, the balance amount was grossly insufficient to finance the remaining items of revenue expenditure.

The fiscal adjustment process also brought about a change in the financing pattern of GFD (Table VIII-8). There was increased reliance on external borrowings which marked a departure from the trend observed during the previous years.

The share of external finance which had steadily declined from 15.4 per cent in 1980-81 to 7.1 per cent in 1990-91 increased to 13.4 per cent in 1991-92. The share of internal market borrowings in GFD, however, declined from about 33 per cent in the early eighties to 19.8 per cent in 1991-92, implying a reduction in absolute terms over the previous year. The budget deficit also constituted a lower share of 18.6 per cent in 1991-92 as against 25.4 per cent in 1990-91. The share of Other Liabilities (Small Savings, Provident Funds, Special Deposits, etc.) was placed at 48.2 per cent in 1991-92 as against 49.6 per cent in 1990-91 and 22.4 per cent in 1980-81. The extent of monetisation of the GFD was placed at 14.6 per cent in 1991-92 which was substantially lower than the high levels which prevailed in the previous years.

Table VIII-7 : Central Government Expenditures and Receipts as percentages to GDP

(per cent)

	1980-81	1985-86	1990-91	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
I. Total Expenditure (A+B)	**15.5**	**19.4**	**19.3**	**18.2**	**18.1**	**16.8**
A. Revenue Expenditure	**10.9**	**13.3**	**14.4**	**13.9**	**14.3**	**13.5**
of which:						
(1) Interest payments, defence, subsidies, non-Plan grants to States and UTs	6.3	8.1	9.1	8.5	8.8	8.2
B. Capital Expenditure (including net lending)	**4.6**	**6.1**	**4.9**	**4.3**	**3.8**	**3.3**
II. Revenue Receipts	**9.4**	**11.0**	**10.9**	**11.6**	**11.5**	**11.5**
of which:						
Net Tax Revenue	6.9	8.1	8.1	8.6	8.2	8.1
III. (1) as proportion of II	**67.0**	**73.0**	**84.4**	**73.7**	**77.9**	**71.9**

Table VIII-8 : Financing of Gross Fiscal Deficit

(Rs. crores)

	1980-81	1985-86	1990-91	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1. External Loans (Net)	1,281	1,449	3,181	3,510	5,063	4,509
	(15.4)	(6.6)	(7.1)	(9.3)	(13.4)	(13.1)
2. Internal Market Loans	2,679	4,884	8,001	7,500	7,500	5,000
	(32.3)	(22.4)	(17.9)	(19.9)	(19.8)	(14.5)
3. Other Liabilities	1,862	10,209	22,121	18,998	18,197	19,510
	(22.4)	(46.7)	(49.6)	(50.3)	(48.2)	(56.7)
4. Budget Deficit	2,477	5,315	11,347	7,719	7,032	5,389
	(29.9)	(24.3)	(25.4)	(20.5)	(18.6)	(15.7)
5. **Total Finance/ Gross fiscal Deficit**	**8,299**	**21,857**	**44,650**	**37,727**	**37,792**	**34,408**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

Note : Figures in brackets represent percentages to total.

Budget Estimates—1992-93

The Central Government budget for 1992-93, presented to the Parliament on February 29, 1992, sought to build upon the fiscal correction that was initiated in the preceding year. The budget proposed wide ranging structural reforms to improve prospects for stable and sustainable growth in the medium term and measures to help to achieve macroeconomic stabilisation in as short a period as possible.[11]

The budget deficit for 1992-93 is estimated at Rs. 4,872 crore at the existing rates of taxes and duties. The Additional Resources Mobilisation (ARM) measures are expected to fetch a revenue of Rs. 983 crore (Table VIII-9). The States' share in Centre's ARM is placed at Rs. 1,500 crore which in effect would mean that the Centre would have to bear a revenue loss of Rs. 517 crore.[12] After taking into account the loss to the Centre, the budget deficit would increase to Rs. 5,389 crore, but even at this level, it would be substantially lower than the deficit of Rs. 7,032 crore in 1991-92 (R.E.) and of Rs. 11,347 crore in 1990-91 (Tables VIII-4 & 5). The revenue account would continue to show a large gap, though of a significantly lower magnitude of Rs. 13,882 crore as against Rs. 17,081 crore in 1991-92. As a part of the budgetary strategy to consolidate fiscal correction, the GFD is also expected to be brought down further from Rs. 37,792 crore to Rs. 34,408 crore in 1992-93 — a reduction of Rs. 3,384 crore (—9 per cent). At this level, the GFD would constitute 5 per cent of GDP in 1992-93 as against 6.5 per cent in 1991-92. The envisaged reduction in GFD is sought to be achieved mainly through reduction in the non-interest components of non-plan expenditure, further disinvestment of equity holdings in public sector enterprises and absence of budgetary provision for payment of additional dearness allowance that may fall due in 1992-93. Reflecting these efforts, primary deficit would also show a decline of Rs. 5,967 crore (—27.3 per cent) to Rs. 15,872 crore in 1992-93.

Table VIII-9 : Additional Resource Mobilisation by the Centre during 1992-93

(Rs. crores)

	Centres' share	States' share	Total
		A.Original Budget	
I. Taxes (a+b)	**—517**	**1,500**	**983**
a) Direct Taxes (i to iii)	360	435	795
i) Corporation Tax	325	—	325
ii) Income Tax	135	435	570
iii) Expenditure Tax	—100	—	—100
b) Indirect Taxes (i+ii)	—877	1,065	188
i) Customs	—2,023	—	—2,023
ii) Union Excise Duties	1,146	1,065	2,211
II. Revision in Railway Fares and Freight	**1,366**	—	**1,366**
III. Total (I+II)	**849**	**1,500**	**2,349**
IV. Post Budget Tax Concessions	**—636**	**—271**	**—907**
		B.After Post Budget Tax Concessions	
V. Total (III+IV)	**213**	**1,229**	**1,442**

Source : i) Budget Documents, Government of India, 1992-93
ii) Railway Budget, 1992-93.

11. Please refer to the article on 'Finances of the Government of India : 1992-93' in the September issue of the RBI Bulletin for details on budget proposals for 1992-93.

12. Excluding post-budget tax concessions.

Regarding the financing of the GFD, the contribution of net market borrowings would decline from 19.8 per cent (Rs. 7,500 crore) in 1991-92 to 14.5 per cent (Rs. 5,000 crore) in 1992-93 (Table VIII-8). Net external borrowings would also account for a smaller share of 13.1 per cent (Rs. 4,509 crore) as compared with 13.4 per cent (Rs. 5,063 crore) last year. The share of budget deficit would fall from 18.6 per cent to 15.7 per cent over the period. Consequently, other liabilities are expected to finance 56.7 per cent (Rs.. 19,510 crore) of the GFD in 1992-93 as against 48.2 per cent (Rs. 18,197 crore) in 1991-92. Within other liabilities, the major variations would be on account of small savings (Rs. 650 crore), special deposits (Rs. 877 crore) and 182 Days Treasury Bills (Rs. 1,500 crore). The absolute increase in other liabilities would however be more than offset by a decline in internal and external loans as a consequence of which, total capital receipts (including recovery of loans and excluding budget deficit) would decline by 3.8 per cent to Rs. 38,010 crore in 1992-93. The extent of monetisation of GFD is expected to increase to 15.7 per cent in 1992-93 from 14.6 per cent last year.

The composition of GFD shows that, in sharp contrast to the trend in the previous year, around 95 per cent of the expected reduction would be due to the decline in the revenue deficit (Table VIII-6). Consequently, the share of the revenue deficit in GFD would decline from 45.2 per cent in 1991-92 to 40.3 per cent in 1992-93. Again, while capital outlay is expected to be higher and its share in GFD would increase from 30.5 per cent in 1991-92 to 36.5 per cent in 1992-93, net lending would show a further reduction over the previous year. In the aggregate, the share of total expenditure (including net lending) in GDP is expected to decline to 16.8 per cent in 1992-93 from 18.1 per cent in the previous year; revenue expenditure accounting for 0.8 percentage point of the total reduction (Table VIII-7). On the other hand, there would be a marginal improvement in the share of revenue receipts in GDP from 11.5 per cent in the previous year. Furthermore, the extent of preemption of revenue receipts by interest payments, defence, subsidies and non-Plan grants to States and Union Territories would also be lower from 77.9 per cent in 1991-92 to 71.9 per cent in 1992-93.

The improvement in revenue account is expected to be brought about by a higher increase in receipts than in expenditure. Within revenue receipts, net tax revenue is estimated to rise by Rs. 6,450 crore (12.9 per cent) from Rs. 50,006 crore in 1991-92 to Rs. 56,456 crore in 1992-93. Revenue from direct taxes is anticipated to rise from Rs. 9,894 crore in 1991-92 to Rs. 11,285 crore in 1992-93, indicating an increase of 14.1 per cent on top of a substantial growth of 43.3 per cent in the previous year. Most of the increase would be on account of larger receipts from Corporation Tax (Rs. 825 crore), Income Tax (Rs. 320 crore) and Interest Tax (Rs. 265 crore). Revenue from indirect taxes is budgeted to increase from Rs. 40,112 crore in 1991-92 to Rs. 45,171 crore in 1992-93 registering a rise of 12.6 per cent as compared with 11.1 per cent in the previous year. The improvement in indirect tax revenue would mainly come under union excise duties (Rs. 2,484 crore) and customs duty (Rs. 2,317 crore). The share of indirect taxes in the net tax revenue of the Centre is expected to decline marginally from 80.2 per cent in 1991-92 to 80 per cent in 1992-93 while that of direct taxes would correspondingly rise from 19.8 per cent to 20 per cent (Table VIII-10).

Non-tax revenue would rise by 15.3 per cent to Rs. 23,192 crore in 1992-93 which would be mainly on account of a rise in interest receipts (Rs. 2,167 crore) and a substantial step-up in the profits transferred by the Reserve Bank of India from Rs. 350 crore in 1991-92 to Rs. 1,500 crore in 1992-93.

The growth in revenue expenditure is expected to decelerate from 22.6 per cent in 1991-92 to 7.3 per cent in 1992-93. By way of fiscal reform, a major adjustment has been affected under subsidies which would suffer a cutback of Rs. 1,803 crore (—14.7 pr cent) to Rs. 10,487 crore in 1992-93. Table VIII-11 provides the details of budgetary provision of major subsidies.

Interest payments at Rs. 32,000 crore in 1992-93 would increase by 17.4 per cent as against 26.9 per cent in the previous year. Non-plan grants to

Table VIII-10 : Revenue Receipts of the Government of India

(Rs. crores)

Item	1988-89 (Accounts)	1989-90 (Accounts)	1990-91 (Accounts)	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1	2	3	4	5	6	7
I. Tax receipts	**33,751**	**38,349**	**42,978**	**52,500**	**50,006**	**56,456**
I As per cent of total receipts	47.3	45.3	44.5	48.1	45.6	48.0
I As per cent of GDP*	8.5	8.4	8.1	8.6	8.2	8.1
a. Direct Taxes	**6,074**	**6,081**	**6,903**	**9,327**	**9,894**	**11,285**
a) As per cent of tax receipts	18.0	15.9	16.1	17.8	19.8	20.0
b. Indirect Taxes**	**27,677**	**32,268**	**36,075**	**43,173**	**40,112**	**45,171**
b) As per cent of tax receipts	82.0	84.1	83.9	82.2	80.2	80.0

* Figures may differ from those published earlier due to revision in the figures of GDP.
** Includes taxes of Union Territories, net of assignments to local bodies.

TableVIII-11 : Expenditure on Subsidies

(Rs. crores)

	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	Variation Col(4)— Col. (3)
1	2	3	4	5
A. Major Subsidies (1+2+3)	**9,550**	**9,829**	**7,980**	**—1,849**
1. Food	2,450	2,850	2,500	—350
2. Fertiliser (a+b+c)	4,400	5,205	5,000	—205
a) Indigenous	3,650	3,500	3,500	—
b) Imported	750	1,300	1,500	+200
c) For Small & Marginal Farmers	—	405	—	—405
3. Export Promotion and Market Development	2,700	1,774	480	—1,294
B. Other Subsidies	**2,571**	**2,461**	**2,507**	**+46**
C. Total (A+B)	12,121	12,290	10,487	—1,803

States are also expected to show a reduction over 1991-92.

Capital disbursements are estimated at to rise by 0.2 per cent (Rs. 45 crore) as against a decline of 7.3 per cent in the previous year. While outlays on Defence and Railways are expected to be stepped up by Rs. 464 crore and Rs. 231 crore respectively and loans to States and UTs to increase by Rs. 382 crore, there would a substantial reduction of Rs. 900 crore in technical credits to foreign Governments. Non-plan loans to public sector enterprises are also budgeted to be lower by Rs. 314 crore.

The impact of the adjustments in revenue and capital disbursements would be to restrict the growth in non-plan expenditure[13] to 5.5 per cent in 1992-93, implying a reduction in real terms. Without taking into account interest payments which show a large increase, the other items of non-plan expenditure would in fact decline by 0.7 per cent during the year. On the other hand, Plan expenditure is budgeted to rise by 4.8 per cent in 1992-93 as against an increase of 13.4 per cent in 1991-92. The proportion of Plan expenditure in the total would not change much from the previous year's level of 29.2 per cent. While budgetary support for the Central Plan would increase by 4.7 per cent as against a decline of 2.3 per cent in 1991-92, Central assistance for State and Union Territory Plans would rise by 4.9 per cent in 1992-93 on top of a growth of 39.1 per cent in the previous year. The share of budgetary support and Central assistance would, however, remain unchanged at the 1991-92 levels of 53.5 per cent and 46.5 per cent respectively.

The Plan outlay for 1992-93, the first year of the Eighth Five Year Plan, has been fixed at

13. The data on Plan and non-Plan expenditure are taken from the Union Budget. Their sum would not add up to total expenditure given elsewhere in the Chapter (Rs. 1,23,047 crore for 1992-93), the difference being on account of the inclusion in the said total expenditure, the gross expenditure of Commercial Departments and Posts.

Rs. 48,407 crore which is higher by 20.5 per cent than the revised outlay for 1991-92. The allocation for some of the major sectors in percentage terms are as follows : Energy (31 per cent), Transport (18.9 per cent), Industry and Minerals (16.9 per cent), Social Services (10.6 per cent), Communications (10.1 per cent) and Agriculture and Rural Development (9.3 per cent).

Despite an increase of 4.7 per cent, budgetary support at Rs. 18,501 crore would finance 38.2 per cent of the Plan outlay in 1992-93 as against 44 per cent in the previous year. Consequently, the contribution of the other component viz. Internal and Extra-Budgetary Reserves (IEBR) of public sector enterprises is expected to increase from 56 per cent (Rs. 22,501 crore) in 1991-92 to 61.8 per cent (Rs. 29,906 crore) in 1992-93. Around 96 per cent of the increase in IEBR would be on account of a rise in external commercial borrowings/suppliers' credit and internal resources of public sector enterprises. External commercial borrowings are budgeted substantially higher at Rs. 5,922 crore in 1992-93 as against Rs. 1,854 crore in 1991-92, while internal resources are expected to be stepped-up to Rs. 15,084 crore from Rs. 12,007 crore in the previous year. The amount to be mobilised through bonds is placed higher at Rs. 6,058 crore which represents a rise of Rs. 336 crore over 1991-92. Resources mobilised through deposits and inter-corporate transfers are, however, estimated to decline to Rs. 2,842 crore in 1991-92. The details of IEBR are provided in the Table below:

Table VIII-12 : Internal and Extra Budgetary Resources of Central Public Sector Enterprises

(Rs. crores)

	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
Internal Resources	13,705	12,007	15,084
Bonds/Debentures	5,869	5,722	6,058
External Commercial Borrowings/Suppliers' Credit	2,001	1,854	5,922
Others	2,379	2,918	2,842
Total	**23,954**	**22,501**	**29,906**

A functional distribution of total expenditure reveals that while non-developmental expenditure would increase by 12.8 per cent in 1992-93 as compared with 11.2 per cent, in 1991-92, developmental expenditure would decline by 1.1 per cent as against a growth of 5.4 per cent in the previous year (Table VIII-13). In fact, the share of developmental expenditure (49.7 per cent) in 1992-93 would be lower than non-developmental expenditure (50.3 per cent) — a disquieting trend witnessed for the first time in many years. This would be largely due to the fact that savings expected by way of reduced budgetary provision under technical credits to foreign governments and major subsidies (which are developmental expenditures) would not be sufficient to cover the increase in interest payments (non-developmental).

Table VIII-13 : Developmental and Non-Developmental Expenditure of the Centre

(Rs. crores)

	1990-91	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1. Developmental Expenditure	58,645 (54.3)	62,015 (53.1)	61,795 (53.0)	61,138 (49.7)
2. Non-developmental Expenditure	49,367 (45.7)	54,748 (46.9)	54,872 (47.0)	61,909 (50.3)
3. **Total (1+2)**	**1,08,012 (100.0)**	**1,16,763 (100.0)**	**1,16,667 (100.0)**	**1,23,047 (100.0)**

Note : Figures in brackets are percentages to total.

Post-Budget Developments

Subsequent to the presentation of the Budget, the Finance Minister announced tax concessions in two stages (on March 26, 1992 and April 30, 1992) which included (i) further reduction in the import duty on project imports and general machinery, (ii) a partial restoration of the deduction under Section 80L with a reduced ceiling of Rs. 7,000 as against Rs. 13,000 earlier, (iii) increase in the maximum tax rebate available under section 88 to Rs. 12,000 with a sub-ceiling in respect of Equity-linked Savings Scheme, (iv) enlargement of the scope of the Presumptive Tax (v) reduction in the rate of tax on capital gains; and (vi) reduction in the import duty on gold from Rs. 450 per 10 grammes to Rs. 220 per 10 grammes. These concessions were expected to result in a total revenue loss of

Rs. 847 crore of which Rs. 576 crore would be borne by the Centre and the balance by the States. Consequently, the net revenue loss to the Centre would increase from Rs. 517 crore (at the time of the budget presentation) to Rs. 1,093 crore.

Some more concessions were announced on June 19, 1992 which included reduction in central excise and customs duty on motor cars, light commercial vehicles, television sets, bulk drugs and drug intermediates. Although these concessions would entail a revenue loss of over Rs. 100 crore in a full financial year, much of this loss is expected to be made up through higher revenue from increased sales and imports.

Another significant announcement related to the abolition of the Foreign Exchange Conservation (Travel) tax with effect from June 1, 1992. The budget estimates of 1992-93 had placed the revenue from this tax at Rs. 88 crore.

Tenth Finance Commission

The Tenth Finance Commission was constituted on June 15, 1992 under the chairmanship of Shri K. C. Pant. The commission has been asked to make recommendations on the devolution of taxes and duties and grants-in-aid- under Article 275 of the Constitution and suggest changes in the principles governing the distribution of net proceeds of additional excise duties. It will also assess the debt position of the States as on end-March 1994 and suggest corrective measures. In making its recommendations, the Commission has been asked to take into account a number of issues of which the most important one relate to the reduction in the fiscal deficits of the Centre and States and better resource mobilisation and fiscal management by the States Governments. The commission has been asked to submit its report by November 30, 1993.

II. Budgetary operations of State Governments

The consolidated budgetary position of all the 25 States* during 1992-93, after taking into account the proposed additional resource mobilisation measures of 15 States aggregating Rs. 873.0 crore, and the States' share in the Centre's additional taxation estimated at Rs. 1,500.0 crore, reveals an overall surplus of Rs. 117.7 crore in contrast to a deficit of Rs. 1,667.1 crore in 1991-92 (Revised Estimates). The deficit on revenue account is budgeted at Rs. 3,547.8 crore which would be lower than that of Rs. 5,343.5 crore in the preceding year. The lower order of revenue deficit budgeted during 1992-93 is mainly due to deceleration in the growth of developmental expenditure at 4.4 per cent as against 17.3 per cent growth witnessed in 1991-92. Capital receipts are estimated to show an increase mainly because of larger disbursements of loans from the Centre in marked contrast to a small decline in the previous year. Capital disbursements are budgeted to record a higher growth than 1991-92 due to substantial increase in the repayment liabilities coupled with higher growth in the capital outlay and loans and advances by the States. Net transfer of resources from the Centre to the States are expected to show an increase of 14.2 per cent over 1991-92. The Plan outlay would show an increase of 28.1 per cent over the preceding year.

Revised Estimates : 1991-92

The combined budgetary position of the States deteriorated in 1991-92 as could be seen from the fact that the overall deficit widened by Rs. 473.0 crore to Rs. 1,667.1 crore in the revised estimates from Rs. 1,194.1 crore indicated in the budget estimates. The overall financial position during 1991-92 was in sharp contrast to the situation during the previous year which witnessed a surplus of Rs. 71.6 crore (Table VIII-14). The worsening of the financial position during the year was entirely on account of the widening of revenue deficit by Rs. 1,339.0 crore to Rs. 5,343.5 crore, offset only partially by an improvement in surplus on capital account by Rs. 866.0 crore. Revenue deficit widened as the growth in receipts of 1.0 per cent was lower than that of 2.6 per cent in expenditure, as compared with the budget estimates. It may be mentioned that the larger surplus on capital account was achieved through a reduction in disbursements by Rs. 566.3 crore as compared with the budgeted estimates of Rs. 21,441.0 crore.

* Data for seven States, namely, Goa, Jammu and Kashmir, Manipur, Meghalaya, Punjab, Uttar Pradesh and West Bengal are based on Vote-on-Account budgets while those for the remaining 18 States are from regular budgets.

Table VIII-14 : OVERALL BUDGETARY POSITION OF STATE GOVERNMENTS

(Rs. crores)

Items	1990-91 (Accounts)@	Percentage variation over the previous year	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	Percentage variation over the previous year	1992-93 (Budget Estimates)	Percentage variation over the previous year
1	2	3	4	5	6	7	8
I. Aggregate Receipts (A+B)	**91,313.6**	**+19.1**	**1,03,239.3**	**1,04,317.5**	**+14.2**	**1,16,991.8**	**+12.1**
			(1,01,659.5)			**(1,14,618.8)**	**(+9.9)**
A. Revenue Receipts (1+2)	**66,466.8**	**+17.6**	**78,987.9**	**79,766.4**	**+20.0**	**89,933.6**	**+12.7**
			(77,408.1)			**(87,560.6)**	**(+9.8)**
1. Tax Receipts (a+b)	44,586.3	+14.0	51,382.3	51,933.5	+16.5	60,123.5	+15.8
			(49,945.8)			(57,876.7)	(11.4)
a. States' Taxes	30,344.8	+16.7	34,890.9	35,106.9	+15.7	40,299.9	+14.8
			(34,066.4)			(39,553.1)	(+12.6)
b. Share in Central Taxes	14,241.5	+8.7	16,491.4	16,826.6	+18.1	19,823.6	+17.8
			(15,879.4)			(18,323.6)	(+9.9)
2. Non-Tax Receipts (c+d)	21,880.5	+25.4	27,605.6	27,832.9	+27.2	29,810.1	+7.1
			(27,462.3)			(29,683.9)	(+6.6)
c. Grants from the Centre	12,643.3	+48.7	15,882.6	16,051.7	+26.9	17,174.0	+7.0
d. Other Non-Tax Receipts	9,237.2	+3.4	11,723.0	11,781.2	+27.5	12,636.1	+7.3
			(11,579.7)			(12,509.9)	(+6.2)
B. Capital Receipts (1+2)	**24,846.8**	**+23.5**	**24,251.4**	**24,551.1**	**-1.2**	**27,058.2**	**+10.2**
1. States' Capital Receipts	10,872.5	+22.8	9,519.7	11,074.9	+1.9	10,913.8	-1.5
of which							
a. Market Borrowings (Gross)	2,560.5	-1.3	3,039.8	3,311.7	+29.3	3,616.9	+9.2
b. Recovery of Loans & Advances	1,500.5	+44.5	1,067.6	1,821.0	+21.3	1,081.8	-40.6
2. Loans from the Centre	13,974.3	+24.1	14,731.7	13,476.2	-3.6	16,144.4	+19.8

Table VIII-14 : OVERALL BUDGETARY POSITION OF STATE GOVERNMENTS (Concld.)

(Rs. crores)

Items	1990-91 (Accounts)@	Percentage variation over the previous year	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	Percentage variation over the previous year	1992-93 (Budget Estimates)	Percentage variation over the previous year
1	2	3	4	5	6	7	8
II. Aggregate Disbursement (A to E)	**91,242.0**	**+18.8**	**1,04,433.4**	**1,05,984.6**	**+16.2**	**1,16,874.1**	**+10.3**
A. Developmental Expenditure + (1+2)	**63,369.9**	**+19.2**	**71,263.4**	**73,487.7**	**+16.0**	**77,626.0**	**+5.6**
1. Social Services	29,960.1	+16.2	32,697.6	33,923.3	+13.2	36,732.7	+8.3
Of which :							
Expenditure on Natural Calamities	876.5	+55.3	798.0	881.2	+0.5	841.3	-4.5
2. Economic Services	33,409.8	+22.0	38,565.8	39,564.4	+18.4	40,893.3	+3.3
B. Non-Developmental Expenditure +	**22,600.3**	**+17.4**	**28,030.9**	**27,389.8**	**+21.2**	**33,291.4**	+21.5
C. Repayment of Loans to the Centre	**3,996.7**	**+19.6**	**3,725.5**	**3,766.9**	**-5.8**	**4,067.0**	**+8.0**
D. Discharge of Internal Debt	**337.1**	**-22.3**	**516.9**	**444.1**	**+31.7**	**900.0**	**+102.6**
Of which :							
Market Loans (Gross)	5.0	-98.3	12.8	13.6	+172.0	336.5	+147.5
E. Others*	**938.0**	**+48.6**	**896.7**	**896.1**	**-4.5**	**989.7**	**+10.4**
III. Overall Surplus (+)/Deficit (-) (I-II)	**+71.6**		**-1,194.1**	**-1,667.1**		**+ 117.7**	
			(-2,773.9)			**(-2,255.3)**	

Note : 1. Figures outside brackets under Budget Estimates for 1991-92 include the estimated net yield of Rs. 967.8 crore from Additional Resource Mobilisation measures proposed by the States and States' share of Rs. 612.0 crore in the Centre's additional taxation proposed in the Central Budget for 1991-92.

2. Figures outside brackets under Budget Estimates for 1992-93 include the estimated net yield of Rs. 873.0 crore from Additional Resource Mobilisation measures proposed by the States and States' share of Rs. 1,500.0 crore in the Centre's additional taxation proposed in the Central Budget for 1992-93.

* Comprise compensation and assignments to local bodies, remittances (net) and Reserve with Finance Department.

@ Figures for Bihar, Manipur, Jammu and Kashmir and Nagaland relate to Revised Estimates.

\+ Comprise expenditure on revenue and capital accounts and loans and advances extended by States.

Aggregate Receipts

The aggregate receipts* increased at a slower rate of 14.2 per cent to Rs. 1,04,317.5 crore in 1991-92 as compared with that of 19.1 per cent in 1990-91. The deceleration was mainly due to the decline in capital receipts by 1.2 per cent in contrast to a rise of 23.5 per cent in 1990-91. Revenue receipts, on the other hand, were higher by 20.0 per cent than 17.6 per cent last year. The disparity in the growth rates of revenue and capital receipts in 1991-92 was also reflected in their share in aggregate receipts. The share of revenue receipts in the aggregate rose from 72.8 per cent in 1990-91 to 76.5 per cent in 1991-92, followed by a corresponding fall in that of capital receipts from 27.2 per cent to 23.5 per cent.

Revenue Receipts

Within revenue receipts, tax receipts increased by 16.5 per cent to Rs. 51,933.5 crore in 1991-92 as compared with the increase of 14.0 per cent in 1990-91. But the higher growth rate has to be viewed in the context of the substantial step-up in growth rate of States' share in Central taxes from 8.7 per cent in 1990-91 to 18.1 per cent in 1991-92; States' own taxes decelerated slightly to 15.7 per cent as compared with 16.7 per cent in 1990-91. Of the States' own tax revenue of Rs. 35,106.9 crore in 1991-92, taxes on commodities and services (indirect taxes) at Rs. 31,360.7 crore accounted for a predominant share of 89.3 per cent while taxes on income and property (direct taxes) contributed 10.7 per cent of the total. Tax-wise contribution to incremental tax revenue of Rs. 4,762.1 crore@ showed that sales tax with a yield of Rs.3,219.9 crore (67.6 per cent) topped the list followed by State Excise duty at Rs. 533.1 crore (11.2 per cent). Tax receipts as a proportion of total revenues declined to 65.1 per cent in 1991-92 from 67.1 per cent in 1990-91.

The other component of revenue receipts, *viz.*, non-tax receipts (comprising grants from the Centre and States' other non-tax receipts) increased by 27.2 per cent to Rs. 27,832.9 crore in 1991-92 as against an increase of 25.4 per cent in the preceding year. Grants from the Centre which account for more than 50 per cent of the total non-tax receipts, increased at a slower rate of 26.9 per cent to Rs. 16,051.7 crore in 1991-92 as against a larger increase of 48.7 per cent in 1990-91. Non-tax revenue formed a larger proportion of the total revenue receipts of 34.9 per cent in 1991-92 as compared with 32.9 per cent in 1990-91. States' other non-tax receipts moved up sharply by 27.5 per cent to Rs. 11,781.2 crore as against an increase of only 3.4 per cent in 1990-91. Component-wise break-up of States' non-tax receipts showed that interest receipts at Rs. 4,590.3 crore registered the highest increase of 91.0 per cent. Receipts from economic services which account for the largest share in non-tax receipts rose by 10.9 per cent whereas the contribution from general services, another major component, declined by 14.0 per cent. The non-tax receipts by way of dividends at Rs. 60.9 crore in 1991-92 (about 0.5 per cent of the total) increased by 80.7 per cent.

Capital Receipts

Capital receipts declined by 1.2 per cent to Rs. 24,551.1 crore in 1991-92 in contrast to a sharp increase of 23.5 per cent in the preceding year. This was on account of the fact that loans from the Centre which constitute more than one half of total capital receipts declined by 3.6 per cent to Rs. 13,476.2 crore as against a substantial increase of 24.1 per cent during the previous year. Besides, States' own capital receipts at Rs. 11,074.9 crore increased only by 1.9 per cent as against an increase of 22.8 per cent last year. Market borrowings, a component to States' own capital receipts, increased sharply by 29.3 per cent over the previous year to Rs. 3,311.7 crore in 1991-92 in contrast to a small decline of 1.3 per cent in 1990-91. Receipts by way of recovery of loans and advances at Rs. 1,821.0 crore in 1991-92 increased by 21.3 per cent, markedly lower than the rise of 44.5 per cent in 1990-91. The net market borrowings, after repayment of

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* Aggregate receipts include (i) Revenue Receipts, (ii) Capital Receipts excluding Ways and Means Advances (WMA) and overdrafts from Reserve Bank of India (RBI) and (iii) net receipts under public account excluding withdrawals from Cash Balance Investment Account and Cash Balances.

@ The data referred to in this Section are furnished in Statement No. 95 of Vol. II of this Report.

Table VIII-15 : SOURCES OF STATE REVENUE RECEIPTS - PERCENTAGE DISTRIBUTION

Items	1985-86 (Accounts)	1986-87 (Accounts)	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Accounts)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1	2	3	4	5	6	7	8	9
Total Revenue (I + II)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
I. Tax Revenue (A+B)	**65.2**	**65.6**	**65.6**	**65.8**	**69.2**	**67.1**	**65.1**	**66.9**
A. Revenue from States' Taxes (i to iii)	**43.6**	**43.7**	**43.6**	**44.5**	**46.0**	**45.7**	**44.0**	**44.8**
i. Taxes on Income (a+b)	0.8	0.7	0.6	0.6	0.8	1.0	0.8	0.7
a. Agricultural Income Tax	0.4	0.3	0.1	0.1	0.2	0.3	0.3	0.2
b. Taxes on Professions, Trades, Callings and Employment	0.4	0.4	0.5	0.5	0.6	0.7	0.5	0.6
ii. Taxes on Property and Capital Transaction (a to c)	3.6	3.7	3.9	4.2	4.5	4.1	3.9	4.1
a. Stamps and Registration Fees	2.6	2.7	2.9	1.2	3.3	3.2	3.2	3.3
b. Land Revenue	1.0	1.0	1.0	3.0	1.2	0.9	0.7	0.8
c. Urban Immovable Property Tax	–	–	–	–	Neg.	–	–	–
iii. Taxes on Commodities and Services (a to g)	39.1	39.3	39.1	39.7	40.7	40.6	39.3	40.0
a. Sales Tax	25.2	25.2	25.3	26.1	26.7	26.6	26.2	26.6
b. State Excise Duties	6.1	6.3	6.5	6.1	6.8	7.2	6.7	6.7
c. Taxes on Vehicles	2.5	2.6	2.5	2.6	2.5	2.4	2.3	2.4
d. Taxes on Passengers and Goods	1.7	1.6	1.6	1.7	1.6	1.6	1.4	1.4
e. Electricity Duties	1.9	2.1	1.8	2.0	1.9	1.8	1.9	1.6
f. Entertainment Tax	0.9	1.1	0.9	0.8	0.6	0.6	0.6	0.5
g. Other Taxes and Duties	0.8	0.4	0.5	0.4	0.6	0.4	0.4	0.8
B. Share in Central Taxes (a to c)	**21.7**	**21.9**	**22.0**	**21.3**	**23.2**	**21.4**	**21.1**	**22.1**
a. Income Tax	5.2	5.7	5.8	5.5	7.0	6.0	6.2	6.4
b. Estate Duty	0.1	–	–	–	–	–	–	–
c. Union Excise Duties	16.4	16.2	16.2	15.8	16.2	15.4	14.9	15.7
II. Non-Tax Revenue (C + D)	**34.8**	**34.4**	**34.4**	**34.2**	**30.8**	**32.9**	**34.9**	**33.1**
C. Grants from the Centre	**18.9**	**18.3**	**19.0**	**19.1**	**15.0**	**19.0**	**20.1**	**19.1**
D. Other Non-Tax Revenue (a to f)	**15.9**	**16.1**	**15.4**	**15.1**	**15.8**	**13.9**	**14.8**	**14.0**
a. Interest Receipts	4.1	4.4	4.4	4.7	4.6	3.6	5.8	4.1
b. Dividends	0.1	0.1	0.1	0.1	Neg.	–	0.1	0.1
c. General Services	2.0	1.9	1.8	1.9	2.0	2.9	2.1	1.9
d. Social Services	1.4	1.2	1.1	1.1	1.2	0.9	0.8	0.8
e. Economic Services	8.3	8.5	8.0	7.3	7.9	6.5	6.0	7.1
f. Fiscal Services	–	–	–	–	Neg.	–	–	–

* : Figures in respect of Bihar, Jammu and Kashmir, Manipur and Nagaland relate to revised estimates.
Source : State Government Budget Documents.

matured loans, increased from Rs. 2,555.5 crore in 1990-91 to Rs. 3,298.1 crore in 1991-92, i.e., by 29.1 per cent.

Transfer of Resources from the Centre

Gross transfer of resources from the Centre comprising States' share in Central taxes, grants and loans increased by 13.4 per cent to Rs. 46,354.5 crore in 1991-92. Of the total increase of Rs. 5,495.4 crore in gross transfer, grants from the Centre amounted to Rs. 3,408.4 crore, while States' share in Central taxes was of the order of Rs. 2,585.1 crore. On the other hand, gross loans from the Centre declined by Rs. 498.1 crore from Rs. 13,974.3 crore in 1990-91. Net loans from the Centre at Rs. 2,831.4 crore, adjusted for interest payments (Rs. 6,877.9 crore) and repayment of principal (Rs. 3,766.9 crore) declined sharply by 43.0 per cent from Rs. 4,799.7 crore in 1990-91. States' share in Central taxes increased from Rs. 14,241.5 crore in 1990-91 to Rs. 16,826.6 crore in 1991-92, an increase of 18.1 per cent as against 8.7 per cent last year. Grants

from the Centre amounted to Rs. 16,051.7 crore in 1991-92, as against Rs. 12,643.3 crore in 1990-91. The Plan grants at Rs. 13,321.1 crore registered an increase of 42.1 per cent over Rs. 9,372.3 crore in 1990-91, whereas non-Plan grants at Rs. 2,730.6 crore, declined by 16.5 per cent from Rs. 3,271.0 crore in 1990-91. Within the Plan component, grants for State Plan schemes, Centrally-sponsored schemes and Central Plan schemes amounted to Rs. 7,081.0 crore, Rs. 1,077.2 crore and Rs. 5,162.9 crore, respectively, in 1990-91 as against Rs. 4,795.6

Table VIII-16 : PATTERN OF REVENUE EXPENDITURE - PERCENTAGE DISTRIBUTION

Items	1985-86 (Accounts)	1986-87 (Accounts)	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Accounts)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1	2	3	4	5	6	7	8	9
Total Expenditure (A to D)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
A. Developmental Expenditure (1+2)	**70.4**	**70.6**	**69.7**	**69.4**	**66.9**	**67.3**	**66.4**	**63.2**
1. Social Services (i to xi)	**40.6**	**39.9**	**39.5**	**39.4**	**39.9**	**38.8**	**36.6**	**36.2**
i. Education, Sports, Art and Culture	20.8	20.4	20.4	20.9	22.5	21.5	20.2	20.3
ii. Medical, Public Health and Family Welfare	7.8	6.7	6.7	6.6	6.6	6.4	6.0	5.9
iii. Water Supply and Sanitation	2.1	3.1	2.9	2.7	2.5	2.3	2.0	2.0
iv. Housing	0.6	0.6	0.5	0.5	0.6	0.5	0.5	0.5
v. Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2.6	2.4	2.6	2.5	2.4	0.9	0.9	0.8
vi. Labour and Labour Welfare	0.7	0.7	0.9	0.7	0.7	2.5	2.4	2.3
vii. Social Security and Welfare	2.3	2.4	1.8	1.9	1.8	0.6	0.7	0.6
viii. Nutrition	0.4	0.8	0.8	0.7	0.7	1.9	1.9	1.9
ix. Relief on Account of Natural Calamities	2.3	1.7	1.9	1.7	0.9	0.7	0.7	0.7
x. Urban Development	0.7	0.8	0.7	0.9	0.9	1.2	1.0	0.9
xi. Others	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
2. Economic Services (i to ix)	**29.8**	**30.7**	**30.2**	**30.0**	**27.0**	**28.5**	**29.8**	**27.0**
i. Agriculture and Allied Activities	9.5	8.7	8.6	8.2	8.0	8.7	8.4	7.9
ii. Rural Development	6.7	7.4	6.5	7.0	4.3	6.2	6.5	6.5
iii. Special Areas Programes	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.5
iv. Irrigation and Flood Control	5.8	6.3	6.1	6.4	5.6	4.8	4.9	5.0
v. Energy	0.7	1.1	2.0	1.5	1.8	1.4	3.4	1.3
vi. Industry and Minerals	1.8	1.7	1.6	1.7	2.0	1.6	1.6	1.5
vii. Transport and Communications	3.3	3.6	3.2	3.3	2.8	2.9	2.6	2.6
viii. Science, Technology and Environment	0.1	0.1	0.1	Neg.	0.1	0.1	0.1	0.1
ix. General Economic Services	1.4	1.3	1.6	1.4	1.8	2.3	1.8	1.6
B. Non-Development Expenditure (1 to 5)	**28.4**	**28.2**	**29.3**	**29.5**	**32.2**	**31.6**	**32.5**	**35.8**
1. Organs of State	1.0	0.9	1.0	1.0	1.3	1.0	1.2	0.9
2. Fiscal Services	3.3	2.3	3.1	2.2	3.3	3.1	3.1	3.0
3. Interest Payments and Servicing of Debt	10.3	11.6	11.5	12.2	12.7	12.8	14.1	15.7
Of which :								
i. Interest on Loans from the Centre	5.2	7.2	5.9	6.9	7.0	5.3	8.2	7.0
ii. Interest on Internal Debt	1.9	1.9	1.7	1.9	2.1	1.6	2.2	2.1
4. Administrative Services	10.1	9.8	9.7	9.6	10.0	9.7	8.9	10.7
5. Pension and Miscellaneous General Services	3.7	3.6	4.0	4.5	4.9	5.0	5.2	5.5
C. Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	**1.2**	**1.2**	**1.0**	**1.1**	**0.9**	**1.1**	**1.1**	**1.0**
D Reserve with Finance Department	—	—	—	—	—	—	—	—

* : Figures for Bihar, Jammu and Kashmir, Manipur and Nagaland relate to revised estimates.
Neg. : Negligible.
Sources : State Government Budget Documents.

crore, Rs. 813.4 crore and Rs. 3,763.3 crore, respectively, in the preceding year. Net transfer of resources from the Centre (gross transfer adjusted for repayment of loans and interest payments) increased by 14.1 per cent to Rs. 35,709.7 crore in 1991-92 from Rs. 31,684.5 crore in 1990-91. Net transfer expressed as a percentage of aggregate receipts (including loans from the Centre on a net basis) and aggregate disbursements (excluding repayment of loans and interest payments) declined from 36.3 per cent and 38.6 per cent in 1990-91 to 35.5 per cent and 37.5 per cent, respectively, in 1991-92.

Disbursements

Aggregate disbursements** at Rs. 1,05,984.6 crore in 1991-92 increased by 16.2 per cent as compared to 18.8 per cent in the previous year. However, there was no let-up in the growth of revenue expenditure which went up by 18.6 per cent to Rs. 85,109.9 crore in 1991-92 from Rs. 71,775.8 crore in 1990-91. On the other hand, the growth in capital disbursements was lower at 7.2 per cent from Rs. 19,466.2 crore in 1990-91 to Rs. 20,874.7 crore in 1991-92. Consequently, the share of revenue expenditure in aggregate disbursements rose from 78.7 per cent in 1990-91 to 80.3 per cent in 1991-92 while that of capital disbursements declined correspondingly from 21.3 per cent to 19.7 per cent (Table Nos. VIII - 14 and VIII - 18). Developmental expenditure at Rs. 73,487.7 crore in 1991-92 increased by 16.0 per cent as against 19.2 per cent in 1990-91. Non-developmental expenditure increased by a larger magnitude of 21.2 per cent in 1991-92 on top of an increase of 17.4 per cent in 1990-91. In absolute terms, non-developmental expenditure increased from Rs. 22,600.3 crore in 1990-91 to Rs. 27,389.8 crore in 1991-92. The share of developmental expenditure in aggregate disbursements declined marginally from 69.4 per cent in 1990-91 to 69.3 per cent in 1991-92, while that of non-developmental expenditure increased from 24.8 per cent to 25.8 per cent. Under the developmental component, expenditure on economic services increased by 18.4 per cent to Rs. 39,564.4 crore in 1991-92 as against an increase of 22.0 per cent in 1990-91. Expenditure on social services increased by 13.2 per cent to Rs. 33,923.3 crore as compared with an increase of 16.2 per cent in 1990-91. The share of economic services in developmental expenditure rose from 52.7 per cent in 1990-91 to 53.8 per cent in 1991-92 while that of social services dropped from 47.3 per cent in 1990-91 to 46.2 per cent in 1991-92.

Repayments of loans to the Centre at Rs. 3,766.9 crore in 1991-92 declined by 5.8 per cent in contrast to a rise of 19.6 per cent in 1990-91. On the other hand, disbursement on discharge of internal debt increased by 31.7 per cent to Rs. 444.1 crore in 1991-92, as against a decline of 22.3 per cent in 1990-91. Other disbursements, comprising compensation and assignments to local bodies, remittances (net) and reserves with Finance Department declined by 4.5 per cent from Rs. 938.0 crore in 1990-91 to Rs. 896.1 crore in 1991-92.

Budget Estimates : 1992-93

According to the budget estimates for 1992-93, the combined budgetary transactions of all the States, at 1991-92 rates of taxation, would result in an overall deficit of Rs. 2,255.3 crore, as compared with a deficit of Rs. 1,667.1 crore in 1991-92 (RE) and a surplus of Rs. 71.6 crore in 1990-91 (Accounts). The ARM measures proposed by 15 States during 1992-93 are expected to yield an additional revenue of Rs. 873.0 crore. Further, the States' share in Centre's additional taxes proposed in the Union Budget for 1992-93 would amount a record Rs. 1,500.0 crore* Taking into account the total revenue accrual of Rs. 2,373.0 crore from these two sources, the overall deficit of Rs. 2,255.3 crore would turn into a surplus of Rs. 117.7 crore. Revenue deficit is budgeted at Rs. 3,547.8 crore which would be more than offset by the surplus

** Aggregate disbursements include Revenue expenditure and Capital disbursements excluding repayments of WMA and overdrafts from RBI. Additions to Cash Balance Investment Account and Cash Balances are also excluded.

* However, subsequent to the presentation of Union Budget 1992-93, the Union Finance Minister gave some concessions relating to income-tax and Union excise duties and as a result States' share in these taxes would be reduced to Rs. 1,229.0 crore.

of Rs. 3,665.5 crore on capital account.

State-wise Position

State-wise budgetary position during 1992-93, at 1991-92 rates of taxation, showed that as many as 19 States presented deficit budgets; of the remaining six States, five came out with surplus budgets while Orissa was the lone exception with a balanced budget (Table VIII-17). Eleven of the 19 States with deficit budgets and four among the five States with surplus budgets have proposed ARM measures. After taking into account the revenue yield from States' ARM measures as well as their share in Centre's additional taxes, the number of States with deficit budgets would come down from 19 to 11 while those with surplus budgets would go up from 5 to 14. The combined deficit of the 11 States would amount to Rs. 1,199.1 crore, while the combined surplus of the 14 States would amount to Rs. 1,316.8 crore. The magnitude of deficit varied between Rs. 565.2 crore (the highest) in the case of Jammu and Kashmir and Rs. 9.9 crore (the lowest) for Sikkim. The deficits of two States, viz., Jammu and Kashmir and Himachal Pradesh, aggregating Rs. 704.2 crore would account for 58.7 per cent of the combined deficits of the eleven States referred to. On the other hand, the magnitude of surplus ranged between Rs. 406.0 crore (the highest) for Uttar Pradesh and Rs. 3.0 crore (the lowest) for Nagaland. The combined surplus of three States, viz., Assam, Uttar Pradesh and West Bengal at Rs. 847.4 crore formed 64.4 per cent of the total surplus of the fourteen States.

Transactions under Revenue Account

The combined revenue account transactions of States, at the revised rates of taxation, are expected to result in a lower deficit of Rs. 3,547.8 crore in 1992-93 as against Rs. 5,343.5 crore in 1991-92. Twelve States would have revenue surplus aggregating Rs. 1,817.9 crore while the remaining 13 States would end up with substantial deficits totalling Rs. 5,365.7 crore (Table VIII-18). Statewise position showed that Uttar Pradesh (Rs. 1,057.0 crore), Punjab (Rs. 1,093.8 crore), Tamil Nadu (Rs. 620.4 crore), West Bengal (Rs. 554.4 crore), Maharashtra (Rs. 491.6 crore) and Kerala (Rs. 455.8 crore) together would account for around 79.6 per cent of the total deficit.

Aggregate Receipts

Aggregate receipts, at revised rates of taxation, estimated at Rs. 1,16,991.8 crore in 1992-93 would increase by 12.1 per cent as compared with an increase of 14.2 per cent in 1991-92. Of the budgeted increase of Rs. 12,674.3 crore during the year, revenue receipts would account for a predominant share of 80.2 per cent (Rs. 10,167.2 crore) while the balance 19.8 per cent (Rs. 2,507.1 crore) would be the contribution from capital receipts. Revenue receipts at Rs. 89,933.6 crore in 1992-93, would increase by 12.7 per cent as against an increase of 20.0 per cent in 1991-92. Capital receipts at Rs. 27,058.2 crore in 1992-93 would increase by 10.2 per cent in contrast to a decline of 1.2 per cent in 1991-92. The substantial increase in revenue receipts would result only in a fractional rise in its share in aggregate receipts from 76.5 per cent in 1991-92 to 76.9 per cent in 1992-93 while that of capital receipts would correspondingly move down from 23.5 per cent to 23.1 per cent.

Revenue Receipts

Within revenue receipts, tax receipts at Rs. 60,123.5 crore in 1992-93 would go up by 15.8 per cent as against an increase of 16.5 per cent in 1991-92. On the other hand, there would be a sharp deceleration in non-tax receipts from 27.2 per cent during last year to 7.1 per cent this year.

The lower growth rate in tax revenue during the current year is reflected in the deceleration in the growth rates of both the components *viz.*, States' own taxes and States' share in Central taxes, from 15.7 per cent and 18.1 per cent in 1991-92 to 14.8 per cent and 17.8 per cent, respectively, in 1992-93. However, in absolute terms, receipts from both these sources would rise from Rs. 35,106.9 crore and Rs. 16,826.6 crore in 1991-92 to Rs. 40,299.9 crore and Rs. 19,823.6 crore, respectively, in 1992-93. The proportion of States' share in Central taxes to total tax receipts would show a marginal rise from 32.4 per cent in 1991-92 to 33.0 per cent in 1992-93 (Tables

Table VIII-17 : AGGREGATE RECEIPTS / DISBURSEMENTS AND OVERALL SURPLUS (+) / DEFICIT (-) OF STATE GOVERNMENTS — STATE-WISE DETAILS

(Rs. crores)

States	1990-91 (Accounts)			1991-92 (Budget Estimates)			1991-92 (Revised Estimates)			1992-93 (Budget Estimates)				
	Aggregate Receipts	Aggregate Disbursements	Overall Surplus (+)/ Deficit (-)	Aggregate Receipts	Aggregate Disbursements	Overall Surplus (+)/ Deficit (-)	Aggregate Receipts	Aggregate Disbursements	Overall Surplus (+)/ Deficit (-)	Aggregate Receipts	Aggregate Receipts adjusted by ARM and States' share in Centre's additional taxation	Aggregate Disbursements	Overall Surplus (+)/ Deficit (-)	Overall Surplus (+)/ Deficit (-) adjusted by ARM and States' share in Centre's additional taxation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Andhra Pradesh	6,598.1	6,570.5	+27.6	7,582.1	7,758.8	−176.7	7,552.1	7,556.0	−3.9	8,416.3	8,529.0	8,626.4	−210.1	−97.4
2. Arunachal Pradesh	451.2	429.8	+21.4	481.6	472.0	+9.6	481.2	431.0	+50.2	472.4	481.3	560.5	−88.1	−79.2
3. Assam	2,763.3	2,703.9	+59.4	3,030.7	3,141.0	−110.3	2,960.4	3,100.6	−140.2	3,622.7	3,713.4	3,527.1	+95.6	+186.3
4. Bihar	6,035.2	6,216.5	−181.3	6,962.0	7,083.1	−121.1	6,756.5	6,804.7	−48.2	7,954.1	8,122.2	8,066.3	−112.2	+55.9
5. Goa	433.9	398.6	+35.3	394.5	477.3	−82.8	404.9	477.7	−72.8	460.9	484.5	505.0	−44.1	−20.5
6. Gujarat	5,515.9	5,475.3	+40.6	6,127.0	6,049.8	+77.2	6,792.3	6,857.4	−65.1	6,796.8	6,904.0	6,878.9	−82.1	+25.1
7. Haryana	2,451.8	2,394.8	+57.0	2,821.8	2,816.8	+5.0	2,732.1	2,797.8	−65.7	3,106.3	3,184.9	3,138.8	−32.5	+46.1
8. Himachal Pradesh	1,168.0	1,117.1	+50.9	1,154.2	1,293.9	−139.7	1,241.6	1,337.2	−95.6	1,241.6	1,303.2	1,442.2	−200.6	−139.0
9. Jammu and Kashmir	1,746.0	2,021.0	-275.0	1,847.3	2,194.6	−347.3	1,864.4	2,285.7	−421.3	1,928.2	1,965.7	2,530.9	−602.7	−565.2
10. Karnataka	5,244.1	4,981.4	+262.7	5,904.7	5,920.8	−16.1	5,933.9	5,996.0	−62.1	6,973.6	7,285.9	7,241.4	−267.8	+44.5
11. Kerala	3,360.0	3,384.7	-24.7	3,771.2	3,706.1	+65.1	4,000.4	3,996.6	+3.8	4,189.7	4,369.0	4,317.6	−127.9	+51.4
12. Madhya Pradesh	5,869.4	5,938.8	-69.4	6,974.3	7,024.7	−50.4	6,618.0	6,922.6	−304.6	7,783.3	7,905.8	7,861.8	−78.5	+44.0
13. Maharashtra	11,048.2	10,821.4	+226.8	11,602.7	11,559.7	+43.0	12,437.4	12,222.4	+215.0	13,395.5	13,516.0	13,491.4	−95.9	+24.6
14. Manipur	481.5	454.0	+27.5	475.6	482.5	−6.9	504.3	530.5	−26.2	500.7	512.8	537.2	−36.5	−24.4
15. Meghalaya	400.7	398.3	+2.4	466.7	529.8	−63.1	477.2	539.7	−62.5	499.9	519.1	594.0	−94.1	−74.9
16. Mizoram	528.5	518.5	+10.0	398.4	384.5	+13.9	430.5	418.6	+11.9	411.5	422.3	403.5	+8.0	+18.8
17. Nagaland	519.0	552.1	−33.1	555.1	564.1	−9.0	586.0	647.9	−61.9	586.5	599.7	596.7	−10.2	+3.0

Table VIII-17 : AGGREGATE RECEIPTS / DISBURSEMENTS AND OVERALL SURPLUS (+)/ DEFICIT (-) OF STATE GOVERNMENTS— STATE-WISE DETAILS (Concld.)

(Rs. crores)

States	1990-91 (Accounts)			1991-92 (Budget Estimates)			1991-92 (Revised Estimates)			1992-93 (Budget Estimates)				
	Aggregate Receipts	Aggregate Disbursements	Overall Surplus (+)/ Deficit (−)	Aggregate Receipts	Aggregate Disbursements	Overall Surplus (+)/ Deficit (−)	Aggregate Receipts	Aggregate Disbursements	Overall Surplus (+)/ Deficit (−)	Aggregate Receipts	Aggregate Receipts adjusted by ARM and States' share in Centre's additional taxation	Aggregate Disbursements	Overall Surplus (+)/ Deficit (−)	Overall Surplus (+)/ Deficit (−) adjusted by ARM and States' share in Centre's additional taxation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
18. Orissa	3,173.8	3,045.9	+127.9	4,349.6	4,000.7	+348.9	3,636.6	3,669.5	−32.9	4,403.8	4,477.3	4,403.8	−	+73.5
19. Punjab	3,406.7	3,367.3	+39.4	5,200.7	5,277.0	−76.3	4,956.1	5,199.8	−243.7	4,830.7	4,898.2	5,022.0	−191.3	−123.8
20. Rajasthan	4,645.5	4,729.6	−84.1	5,046.9	5,035.9	+11.0	5,995.5	5,893.1	+102.4	5,972.8	6,054.1	5,971.6	+1.2	+82.5
21. Sikkim	187.5	177.8	+9.7	215.3	226.9	−11.6	216.2	240.1	−23.9	240.6	243.2	253.1	−12.5	−9.9
22. Tamil Nadu	6,539.9	6,606.8	−66.9	6,631.5	7,078.4	−446.9	7,208.3	7,386.6	−178.3	8,000.6	8,188.9	8,238.3	−237.7	−49.4
23. Tripura	622.3	611.4	+10.9	661.8	684.5	−22.7	671.4	682.2	−10.8	755.1	771.4	786.8	−31.7	−15.4
24. Uttar Pradesh	12,194.5	12,306.1	−111.6	13,228.5	13,328.5	−100.0	13,445.5	13,507.6	−62.1	14,266.5	14,566.3	14,160.3	+106.2	+ 406.0
25. West Bengal	5,928.6	6,020.4	−91.8	7,355.1	7,342.0	+13.1	6,414.7	6,483.3	−68.6	7,808.7	7,973.6	7,718.5	+90.2	+ 255.1
TOTAL	**91,313.6**	**91,242.0**	**+71.6**	**1,03,239.3**	**1,04,433.4**	**-1,194.1**	**1,04,317.5**	**1,05,984.6**	**—1,667.1**	**1,14,618.8**	**1,16,991.8**	**1,16,874.1**	**—2,255.3**	**+117.7**

Notes : 1. Aggregate disbursements include remittances (net).

2. Figures for individual States for 1991-92 (Budget Estimates) include the estimated yield of Rs. 967.8 crore from ARM measures introduced through the State Budgets and the States' share of Rs. 612.0 crore in Centre's additional taxation announced in the Central Budget for 1991-92.

3. Figures for individual States for 1992-93 (Budget Estimates) reflect the effects of their budget proposals of Rs. 873.0 crore and the States' share of Rs. 1,500.0 crore proposed in the Central Budget for 1992-93.

4. Figures for 1990-91 (Accounts) in respect of Bihar, Jammu & Kashmir, Manipur and Nagaland relate to Revised Estimates.

Table VIII-18 : TRANSACTION ON REVENUE ACCOUNT, 1986-87 TO 1992-93

(Rs. crores)

States	1986-87 (Accounts)			1987-88 (Accounts)			1988-89 (Accounts)			(1989-90 (Accounts)		
	Revenue Receipts	Revenue Expenditure	Revenue Surplus (+)/ Deficit (–)	Revenue Receipts	Revenue Expenditure	Revenue Surplus (+)/ Deficit (–)	Revenue Receipts	Revenue Expenditure	Revenue Surplus (+)/ Deficit (–)	Revenue Receipts	Revenue Expenditure	Revenue Surplus (+)/ Deficit (–)
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Andhra Pradesh	3,056.1	3,244.5	–188.4	3,478.1	3,440.9	+37.2	4,279.0	4,245.7	+33.3	4,476.9	4,715.1	–236.2
2. Arunachal Pradesh	211.6	172.9	+38.7	296.4	245.7	+50.7	299.3	208.7	+90.6	289.1	257.6	+31.5
3. Assam	1,210.0	1,149.4	+60.6	1,241.1	1,325.5	–84.4	1,372.9	1,435.4	–62.5	1,532.1	1,668.8	–136.7
4. Bihar	2,622.7	2,277.2	+345.5	2,968.7	2,932.6	+36.1	3,488.1	3,210.6	+277.5	3,911.2	3,944.6	–33.4
5. Goa	170.9	172.0	–1.1	161.0	168.5	–7.5	210.8	198.8	+12.0	217.2	228.3	–11.1
6. Gujarat	2,159.7	2,469.2	–309.5	2,806.5	3,093.1	–286.6	3,235.7	3,362.4	–126.7	3,601.2	3,727.4	–126.2
7. Haryana	1,130.2	967.4	+162.8	1,303.9	1,287.5	+16.4	1,441.1	1,442.9	–1.8	1,607.2	1,701.7	–94.5
8. Himachal Pradesh	533.8	464.1	+69.7	649.8	608.8	+41.0	698.4	768.2	–69.8	721.2	782.5	–61.3
9. Jammu and Kashmir	694.7	653.4	+41.3	754.0	860.7	–106.7	901.8	965.7	–63.9	958.0	1,081.2	–123.2
10. Karnataka	2,284.1	2,204.7	+79.4	2,556.9	2,666.8	–109.9	2,963.6	3,002.3	–38.7	3,336.4	3,482.9	–146.5
11. Kerala	1,502.5	1,654.8	–152.3	1,586.1	1,780.7	–194.6	1,897.1	2,061.0	–163.9	2,047.6	2,298.1	–250.5
12. Madhya Pradesh	2,567.4	2,531.7	+35.7	2,994.2	3,053.1	–58.9	3,471.7	3,617.6	–145.9	3,876.7	3,805.8	+70.9
13. Maharashtra	4,978.2	4,978.8	–0.6	5,578.2	5,504.4	+73.8	6,299.8	6,540.7	–240.9	7,528.7	7,902.5	–373.8
14. Manipur	248.3	198.1	+50.2	287.0	214.6	+72.4	322.3	273.2	+49.1	332.0	299.3	+32.7
15. Meghalaya	214.7	156.4	+58.3	256.4	189.6	+66.8	302.3	224.6	+77.7	309.2	258.8	+50.4
16. Mizoram	67.9	46.3	+21.6	193.8	246.1	–52.3	273.8	230.9	+42.9	304.3	239.6	+64.7
17. Nagaland	297.3	263.2	+34.1	350.9	328.3	+22.6	384.7	343.5	+41.2	347.3	393.2	–45.9
18. Orissa	1,228.2	1,248.0	–19.8	1,333.1	1,407.6	–74.5	1,550.9	1,658.7	–107.8	1,740.7	1,846.1	–105.4
19. Punjab	1,292.5	1,202.1	+90.4	1,404.5	1,633.5	–229.0	1,623.4	1,867.5	–244.1	1,800./0	2,021.0	–221.0
20. Rajasthan	1,806.5	1,866.7	–60.2	2,183.1	2,539.2	–356.1	2,352.2	2,570.7	–218.5	2,667.6	2,697.6	–30.0
21. Sikkim	113.4	81.3	+32.1	126.4	98.5	+27.9	149.5	113.2	+36.3	134.3	115.3	+19.0
22. Tamil Nadu	2,879.3	2,775.7	+103.6	3,091.9	3,374.8	–282.9	3,488.9	3,763.0	–274.1	4,199.8	4,550.1	–350.3
23. Tripura	274.5	232.0	+42.5	314.2	294.3	+19.9	395.6	380.5	+15.1	427.0	419.6	+7.4
24. Uttar Pradesh	4,171.6	4,349.2	–177.6	5,331.9	5,079.9	+252.0	5,652.2	6,256.8	–604.6	6,623.2	7,654.1	–1,030.9
25. West Bengal	2,510.2	2,697.5	–187.3	2,912.2	3,027.5	–155.3	3,337.4	3,474.6	–137.2	3,494.1	3,971.3	–477.2
TOTAL	**38,226.3**	**38,056.6**	**+169.7**	**44,160.3**	**45,402.2**	**—1,241.9**	**50,392.5**	**52,217.2**	**—1,824.7**	**56,483.0**	**60,062.5**	**—3,579.5**

Table VIII-18 : TRANSACTION ON REVENUE ACCOUNT, 1986-87 TO 1992-93 (Concld.)

(Rs. crores)

States	1990-91 (Accounts)+			1991-92 (Revised Estimates)			1992-93 (Budget Estimates)		
	Revenue Receipts	Revenue Expenditure	Revenue Surplus (+)/ Deficit (-)	Revenue Receipts	Revenue Expenditure	Revenue Surplus (+)/ Deficit (-)	Revenue Receipts*	Revenue Expenditure	Revenue Surplus (+)/ Deficit (-)
1	14	15	16	17	18	19	20	21	22
1. Andhra Pradesh	5,347.2	5,504.8	−157.6	6,072.9	6,300.1	-227.2	6903.2	7,133.3	− 230.1
2. Arunachal Pradesh	358.2	258.1	+100.1	445.1	281.5	+163.6	448.7	392.4	+56.3
3. Assam	1,776.6	1,920.4	−143.8	2,553.7	2,313.3	+ 240.4	3,,324.6	2,615.2	+709.4
4. Bihar	4,321.6	4,887.7	−566.1	4,853.7	5,738.7	−885.0	6,121.4	6,468.3	− 346.9
5. Goa	282.6	275.4	+7.2	306.6	338.2	−31.6	374.0	375.6	− 1.6
6. Gujarat	3,379.2	4,081.9	−702.7	5,023.1	5,307.8	−284.7	5,088.4	5,343.2	− 254.8
7. Haryana	1,913.4	1,933.1	−19.7	2,281.5	2,311.8	−30.3	2,585.3	2,557.9	− 27.4
8. Himachal Pradesh	806.6	901.4	−94.8	994.1	1,033.5	−39.4	1,071.6	1,125.8	− 54.2
9. Jammu & Kashmir	1,157.8	1,249.0	−91.2	1,625.4	1,521.4	+104.0	1,713.7	1,689.3	+ 24.4
10. Karnataka	3,892.9	3,971.1	−78.9	4,874.9	4,853.7	+21.2	5,985.1	5,678.0	+ 307.1
11. Kerala	2,402.9	2,824.9	−422.0	2,766.8	3,225.2	−458.4	3,,224.9	3,680.7	− 455.8
12. Madhya Pradesh	4,545.4	4,746.1	−200.7	5,367.9	5,526.3	−158.4	6,507.4	6,144.5	+362.9
13. Maharashtra	8,699.0	8,753.6	−54,.6	9,542.0	10,170.3	−628.3	10,542.5	11,034.1	− 491.6
14. Manipur	395.7	307.2	+88.5	456.2	353.3	+102.9	468.1	350.0	+118.1
15. Meghalaya	353.0	310.8	+42.2	421.7	391.9	+29.8	450.1	436.2	+ 13.9
16. Mizoram	461.9	304.8	+157.1	385.0	327.7	+57.3	380.1	310.0	+70.1
17. Nagaland	416.7	421.9	−5.2	495.0	488.8	+6.2	536.2	469.0	+67.2
18. Orissa	2,170.9	2,190.5	−19.6	2,559.6	2,790.6	−231.0	3,138.4	3,248.7	− 110.3
19. Punjab	1,975.7	2,519.9	−544.2	3,736.7	4,331.0	−594.3	2,627.5	3,721.3	− 1,093.8
20. Rajasthan	3,647.9	3,480.0	+167.9	4,040.8	4,213.6	−172.8	4,673.6	4,768.4	− 94.8
21. Sikkim	159.5	128.1	+31.4	188.7	159.3	+29.4	218.1	168.0	+50.1
22. Tamil Nadu	5,087.9	5,641.3	−553.4	5,879.5	6,529.5	−650.0	6,634.9	7,255.3	− 620.4
23. Tripura	495.3	497.0	−1.7	564.7	566.2	−1.5	641.8	630.8	+ 11.0
24. Uttar Pradesh	8,310.1	9,538.4	−1,228.3	9,530.2	10,466.1	−935.9	10,345.7	11,402.7	—1,057.0
25. West Bengal	4,109.2	5,128.1	−1,018.9	4,800.5	5,570.0	−769.5	5,928.3	6,482.7	—554.4
TOTAL	**66,466.8**	**71,775.8**	**—5,309.0**	**79,766.4**	**85,109.0**	**—5,343.5**	**89,933.6**	**93,481.4**	**—3,547.8**

* : Includes proposed ARM of States and States' share in Centre's additional taxation.

\+ : Figures for Bihar, Jammu and Kashmir, Manipur and Nagaland relate to Revised Estimates.

VIII - 14 and VIII - 19).

The sharp fall in rate of growth in non-tax receipts would be on account of the fact that growth rates in respect of both the constituents viz. grants from the Centre and other non-tax receipts would be just around one-fourth and one-third of those during the previous year. In absolute terms both these components would increase from Rs. 16,051.7 crore and Rs. 11,781.2 crore in 1991-92 to Rs. 17,174.0 crore and Rs. 12,636.1 crore, respectively, in 1992-93.

Capital Receipts

Capital receipts would increase by 10.2 per cent to Rs. 27,058.2 crore in 1992-93, in contrast to a decline of 1.2 per cent during the preceding year (Table VIII - 20). The rise in capital receipts during the year would be entirely on account of higher quantum of loans from the Centre since States' own capital receipts would decline by 1.5 per cent. The situation was just the reverse during last year when States' own capital receipts increased by 1.9 per cent while loans from the Centre declined by 3.6 per cent. The expected increase in the quantum of loans from the Centre during the current year would result in their share in the total capital receipts going up from 54.9 per cent last year to 59.7 per cent while the proportion of States' own capital receipts would decline from 45.1 per cent to 40.3 per cent. Within States' own capital receipts, gross market borrowings estimated at Rs. 3,616.9 crore in 1992-93 would decelerate to 9.2 per cent as against a growth of 29.3 per cent in 1991-92, while receipts by way of recovery of loans and advances at Rs. 1,081.8 crore would decline by 40.6 per cent in contrast to an increase of 21.3 per cent last year (Table VIII - 14).

Disbursements

Aggregate disbursements of States would grow by 10.3 per cent to Rs. 1,16,874.1 crore in 1992-93 as against a rise of 16.2 per cent in 1991-92. Revenue expenditure would go up by 9.8 per cent to Rs. 93,481.4 crore, while capital disbursements would increase by 12.1 per cent to Rs. 23,392.7 crore in 1992-93. The proportion of

Table VIII-19 : STATES' OWN TAX RECEIPTS

(Rs. crores)

Taxes		1991-92 (Revised Estimates)		1992-93 (Budget Estimates)	
		Amount	Percentage variation over the previous year	Amount $	Percentage variation over the previous year
	1	2	3	4	5
1.	Sales Tax	20,886.9	+18.2	23,961.9	+14.7
2.	State Excise Duties	5,328.3	+11.1	6,054.3	+13.6
3.	Land Revenue	562.1	-7.4	674.1	+19.9
4.	Taxes on Vehicles	1,806.2	+15.3	2,167.6	+20.0
5.	Taxes on Passengers and Goods	1,105.5	+4.1	1,294.8	+17.1
6.	Taxes and Duties on Electricity	1,494.8	+26.2	1,446.9	− 3.2
7.	Stamps and Registration Fees	2,504.3	+18.6	2,957.7	+18.1
8.	Agricultural Income Tax	202.3	+2.2	155.1	−23.3
9.	Entertainment Tax	441.3	+7.1	466.2	+5.6
10.	Others*	775.2	+3.8	1,121.3	+44.6
	Total	**35,106.9**	**+15.7**	**40,299.9**	**+14.8**

* Include taxes on Professions, Trades, Callings and Employment, Urban immovable property tax and other taxes.

$ Includes ARM figures.

Table VIII-20 : CAPITAL TRANSACTION OF STATES FROM 1986-87 TO 1992-93

(Rs. crores)

States	1986-87 (Accounts)			1987-88 (Accounts)			1988-89 (Accounts)		
	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit (-)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit (-)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit (-)
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	907.0	825.1	+81.9	923.4	858.8	+64.6	1,000.7	972.7	+28.0
2. Arunachal Pradesh	8.6	54.0	−45.4	−1.4	91.7	−93.1	79.0	128.3	− 49.3
3. Assam	364.3	487.5	−123.2	525.1	458.4	+66.7	533.3	448.4	+84.9
4. Bihar	816.2	1,135.2	−319.0	1,503.5	1,328.9	+174.6	967.2	1,250.8	−283.6
5. Goa	87.3	82.1	+5.2	181.6	71.8	+109.8	49.2	97.6	−48.4
6. Gujarat	1,230.4	815.9	+414.5	1,157.0	993.7	+163.3	1,257.5	1,038.2	+219.3
7. Haryana	388.1	554.4	−166.3	354.4	376.9	−22.5	449.0	429.9	+19.1
8. Himachal Pradesh	96.9	181.7	−84.8	172.5	198.8	− 26.3	176.4	205.3	−28.9
9. Jammu and Kashmir	307.5	347.9	−40.4	448.5	387.3	+61.2	502.7	438.8	+ 63.9
10. Karnataka	657.8	853.6	−195.8	964.7	808.0	+156.7	833.0	782.8	+50.2
11. Kerala	488.1	528.8	−40.7	658.5	465.5	+193.0	577.0	414.0	+ 163.0
12. Madhya Pradesh	777.6	869.8	−92.2	1,094.1	899.0	+195.1	918.2	1,029.2	−111.0
13. Maharashtra	1,513.8	1,473.3	+40.5	1,427.7	1,389.8	+37.9	1,933.0	1,523.3	+409.7
14. Manipur	35.7	97.8	−62.1	21.8	96.5	−74.7	55.4	115.5	−60.1
15. Meghalaya	23.4	82.3	−58.9	22.8	84.4	−61.6	34.5	91.2	−56.7
16. Mizoram	1.2	3.6	−2.4	7.3	45.9	−38.6	19.7	81.4	−61.7
17. Nagaland	56.3	81.1	−24.8	53.3	107.3	−54.0	53.0	105.0	−52.0
18. Orissa	391.8	483.3	−91.5	670.8	580.9	+89.9	775.3	613.7	+ 161.6
19. Punjab	497.0	620.7	−123.7	1,238.4	981.0	+257.4	1,362.2	962.6	+399.6
20. Rajasthan	735.6	698.4	+ 37.2	1,013.6	837.0	+176.6	1,130.3	838.7	+291.6
21. Sikkim	10.8	38.2	−27.4	2.2	35.8	−33.6	18.5	47.9	−29.4
22. Tamil Nadu	725.6	834.7	−109.1	1,037.1	818.2	+218.9	1058.4	853.1	+205.3
23. Tripura	40.1	76.5	−36.4	58.7	100.3	−41.6	74.3	121.7	-47.4
24. Uttar Pradesh	2,204.2	2141.0	+63.2	1,514.3	1,647.1	−132.8	2,252.2	1,624.0	+628.2
25. West Bengal	918.3	824.9	+93.4	1,022.8	933.4	+89.4	1,073.9	840.0	+233.9
Total	**13,283.6**	**1,4191.8**	**—908.2**	**16,072.7**	**14,596.4**	**+1,476.3**	**17,183.9**	**15,054.1**	**+2,129.8**

Table VIII-20 : CAPITAL TRANSACTION OF STATES FROM 1986-87 TO 1992-93

(Rs. crores)

	States	1989-90 (Accounts)			1990-91 (Accounts)			1991-92 (Revised Estimates)			1992-93 (Budget Estimates)		
		Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit (-)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit (-)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit (-)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit (-)
	11	12	13	14	15	16	17	18	19	20	21	22	23
1.	Andhra Pradesh	1,221.5	1,037.8	+ 183.7	1,250.9	1,065.7	+ 185.2	1,479.1	1,255.9	+ 223.2	1,625.7	1,493.1	+ 132.6
2.	Arunachal Pradesh	80.7	146.6	− 65.9	93.0	171.7	− 78.7	36.1	149.6	− 113.5	32.6	168.2	− 135.6
3.	Assam	658.0	619.3	+ 38.7	986.6	783.5	+ 203.1	406.7	787.3	− 380.6	388.7	911.8	− 523.1
4.	Bihar	1,308.6	1,300.8	+ 7.8	1,713.6	1,328.8	+ 384.8	1,902.8	1,066.0	+ 836.8	2,000.8	1,598.0	+ 402.8
5.	Goa	121.0	100.9	+ 20.1	151.3	123.1	+ 28.2	98.3	139.5	− 41.2	110.5	129.4	− 18.9
6.	Gujarat	1,328.6	1,077.8	+ 250.8	2,136.6	1,393.4	+ 743.2	1,769.2	1,549.6	+ 219.6	1,815.6	1,535.7	+ 279.9
7.	Haryana	436.0	416.6	+ 19.4	538.3	461.7	+ 76.6	450.5	486.0	− 35.5	599.7	580.9	+ 18.8
8.	Himachal Pradesh	190.3	202.1	− 11.8	361.4	215.6	+ 145.8	247.5	303.6	− 56.1	231.6	316.4	− 84.8
9.	Jammu and Kashmir	653.4	530.1	+ 123.3	588.1	771.9	− 183.8	238.9	764.3	− 525.4	252.0	841.6	− 589.6
10.	Karnataka	1,115.8	943.3	+ 172.5	1,351.9	1,010.3	+ 341.6	1,059.0	1,142.4	− 83.4	1,300.7	1,563.4	− 262.7
11.	Kerala	816.9	559.1	+ 257.8	957.1	559.7	+ 397.4	1,233.5	771.4	+ 462.1	1,144.1	636.9	+ 507.2
12.	Madhya Pradesh	1,139.2	1,037.9	+ 101.3	1,324.0	1,192.7	+ 131.3	1,250.2	1,396.3	− 146.1	1,398.4	1,717.4	− 319.0
13.	Maharashtra	2,484.3	1,893.7	+ 590.6	2,349.2	2,067.7	+ 281.5	2,895.4	2,052.1	+ 843.3	2,973.6	2,457.4	+ 516.2
14.	Manipur	42.1	155.8	− 113.7	85.7	146.8	− 61.1	48.1	177.2	− 129.1	44.8	187.2	− 142.4
15.	Meghalaya	40.0	95.1	− 55.1	47.7	87.5	− 39.8	55.5	147.7	− 92.2	69.1	157.8	− 88.7
16.	Mizoram	110.0	68.4	+ 41.6	66.6	213.7	− 147.1	45.5	90.9	− 45.4	42.2	93.5	− 51.3
17.	Nagaland	126.4	121.6	+ 4.8	102.4	130.2	− 27.8	91.1	159.1	− 68.0	63.4	127.6	− 64.2
18.	Orissa	594.9	613.3	− 18.4	1,002.9	855.4	+ 147.5	1,077.0	878.9	+ 198.1	1,338.9	1,155.0	+ 183.9
19.	Punjab	1,134.2	894.2	+ 240.0	1,431.1	847.4	+ 583.7	1,219.5	868.8	+ 350.7	2,270.6	1,300.7	+ 969.9
20.	Rajasthan	943.7	875.8	+ 67.9	997.6	1,249.7	− 252.1	1,954.7	1,679.5	+ 275.2	1,380.5	1,203.3	+ 177.2
21.	Sikkim	46.1	51.4	− 5.3	28.0	49.7	− 21.7	27.5	80.8	− 53.3	25.2	85.1	− 59.9
22.	Tamil Nadu	1,308.7	949.0	+ 359.7	1452.0	965.5	+ 486.5	1,328.8	857.0	+ 471.8	1,554.1	983.0	+ 571.1
23.	Tripura	174.7	106.8	+ 67.9	127.0	114.4	+ 12.6	106.7	116.0	− 9.3	129.6	155.9	− 26.3
24.	Uttar Pradesh	2,716.2	1,937.5	+ 778.7	3,884.4	2,767.8	+ 1,116.6	3,915.3	3,041.5	+ 873.8	4,220.5	2,757.6	+ 1,462.9
25.	West Bengal	1,306.8	911.1	+ 395.7	1,819.4	892.3	+ 927.1	1,614.2	913.3	+ 700.9	2,045.3	1,235.8	+ 809.5
	Total	**20,098.1**	**16,646.0**	**+ 3,452.1**	**24,846.8**	**19,466.2**	**+ 5,380.6**	**24,551.1**	**20,874.7**	**+ 3,676.4**	**27,058.2**	**23,392.7**	**+ 3,665.5**

Table VIII-21 PATTERN OF AGGREGATE DISBURSEMENT

(Rs. crores)

States	Developmental Expenditure			Social Services			Economic Services			Non-Developmental			Others			Aggregate Disbursements		
	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1. Andhra Pradesh	4,784.4 (72.8)	5,454.3 (72.2)	6,158.1 (71.4)	2,266.4	2,570.3	2,963.6	2,518.0	2,884.0	3,194.5	1,540.9 (23.5)	1,806.7 (23.9)	2,122.0 (24.6)	245.2 (3.7)	295.0 (3.9)	346.3 (4.0)	6,570.5	7,556.0	8,626.4
2. Arunachal Pradesh	301.3 (70.1)	337.0 (78.2)	372.1 (66.4)	100.2	113.2	125.6	201.1	223.8	246.5	83.5 (19.4)	81.8 (19.0)	179.6 (32.0)	45.0 (10.5)	12.2 (2.8)	8.8 (1.6)	429.8	431.0	560.5
3. Assam	1,740.9 (64.4)	2,006.3 (64.7)	2,386.9 (67.7)	828.2	909.7	1,063.8	912.7	1,096.6	1,323.1	601.2 (22.2)	827.7 (26.7)	830.7 (23.6)	361.8 (13.4)	266.6 (8.6)	309.5 (8.8)	2,703.9	3,100.6	3,527.1
4. Bihar	4,173.2 (67.1)	4,390.5 (64.5)	5,149.8 (63.8)	2,047.7	2,308.1	2,526.1	2,125.5	2,082.4	2,623.7	1,772.0 (28.5)	2,094.1 (30.8)	2,508.0 (31.1)	271.3 (4.4)	320.1 (4.7)	408.5 (5.1)	6,216.5	6,804.7	8,066.3
5. Goa	310.8 (78.0)	359.5 (75.3)	357.7 (70.8)	154.7	179.3	165.8	156.1	180.2	191.9	69.8 (17.5)	101.8 (21.3)	129.9 (25.7)	18.0 (4.5)	16.4 (3.4)	17.4 (3.4)	398.6	477.7	505.0
6. Gujarat	4,067.4 (74.3)	5,018.1 (73.2)	4,700.5 (68.3)	1,717.6	2,000.0	2,110.3	2,349.8	3,018.1	2,590.2	1,211.7 (22.1)	1,571.4 (22.9)	1,851.9 (26.9)	196.2 (3.6)	267.9 (3.9)	326.5 (4.7)	5,475.3	6,857.4	6,878.9
7. Haryana	1,669.2 (69.7)	1,948.8 (69.7)	2,108.5 (67.2)	687.2	793.5	926.8	982.0	1,155.3	1,181.7	643.6 (26.9)	759.1 (27.1)	909.6 (29.0)	82.0 (3.4)	89.9 (3.2)	120.7 (3.8)	2,394.8	2,797.8	3,138.8
8. Himachal Pradesh	802.0 (71.8)	916.1 (68.5)	954.6 (66.2)	403.5	498.9	484.6	398.5	417.2	470.0	286.2 (25.6)	357.7 (26.7)	414.3 (28.7)	28.9 (2.6)	63.4 (4.7)	73.3 (5.1)	1,117.1	1,337.2	1,442.2
9. Jammu and Kashmir	1,340.8 (66.3)	1,434.2 (62.7)	1,522.3 (60.1)	584.4	702.4	687.2	756.4	731.8	835.1	482.3 (23.9)	647.1 (28.3)	800.8 (31.6)	197.9 (9.8)	204.4 (8.9)	207.8 (8.2)	2,021.0	2,285.7	2,530.9
10. Karnataka	3,533.7 (70.9)	4,283.9 (71.4)	5,215.9 (72.0)	1,583.7	2,053.6	2,349.3	1,950.0	2,230.3	2,866.6	1,191.6 (23.9)	1,419.3 (23.7)	1,670.7 (23.1)	256.1 (5.1)	292.8 (4.9)	354.8 (4.9)	4,981.4	5,996.0	7,241.4
11. Kerala	2,187.7 (64.6)	2,420.5 (60.6)	2,794.5 (64.7)	1,357.7	1,421.9	1,715.2	830.0	998.6	1,079.3	999.0 (29.5)	1,225.2 (30.7)	1,329.4 (30.8)	198.0 (5.8)	350.9 (8.8)	193.7 (4.5)	3,384.7	3,996.6	4,317.6

Table VIII-21 PATTERN OF AGGREGATE DISBURSEMENT

(Rs. crores)

States	Developmental Expenditure			Social Services			Economic Services			Non-Developmental			Others			Aggregate Disbursements		
	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	1990-91 (Accounts)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
12 Madhya Pradesh	4,188.9 (70.5)	5,045.7 (72.9)	5,602.9 (71.3)	2,007.4	2,297.2	2,486.7	2,181.5	2,748.5	3,116.2	1,313.7 (22.1)	1,517.7 (21.9)	1,859.1 (23.6)	436.2 (7.4)	359.2 (5.2)	399.8 (5.1)	5,938.8	6,922.6	7,861.8
13 Maharashtra	7,732.5 (71.5)	8,549.5 (69.9)	8,607.2 (63.8)	3,267.8	3,859.7	3,801.9	4,464.7	4,689.8	4,805.3	2,667.3 (24.6)	3,245.2 (26.6)	4,392.4 (32.6)	421.6 (3.9)	427.7 (3.5)	491.8 (3.6)	10,821.4	12,222.4	13,491.4
14 Manipur	333.3 (73.4)	380.9 (71.8)	385.5 (71.8)	144.2	157.0	159.0	189.1	223.9	226.5	103.5 (22.8)	124.9 (23.5)	123.9 (23.1)	17.2 (3.8)	24.7 (4.7)	27.8 (5.2)	454.0	530.5	537.2
15 Meghalaya	303.0 (76.1)	407.7 (75.5)	441.6 (74.3)	140.8	186.2	206.2	162.2	221.5	235.4	94.8 (23.8)	115.6 (21.4)	135.1 (22.7)	0.5 (0.1)	16.4 (3.0)	17.3 (2.9)	398.3	539.7	594.0
16 Mizoram	280.1 (54.0)	328.4 (78.5)	315.3 (78.1)	116.6	131.8	126.0	163.5	196.6	189.3	89.8 (17.3)	84.2 (20.1)	81.1 (20.1)	148.6 (28.7)	6.0 (1.4)	7.1 (1.8)	518.5	418.6	403.5
17 Nagaland	366.7 (66.4)	414.1 (63.9)	387.1 (64.9)	156.5	156.9	141.1	210.2	257.2	246.0	158.1 (28.6)	182.7 (28.2)	176.6 (29.6)	27.3 (4.9)	51.1 (7.9)	33.0 (5.5)	552.1	647.9	596.7
18. Orissa	2,094.9 (68.8)	2,605.3 (71.0)	3,004.3 (68.2)	899.5	1,226.4	1,341.3	1,195.4	1,378.9	1,663.0	707.1 (23.2)	903.1 (24.6)	1,201.7 (27.3)	243.9 (8.0)	161.1 (4.4)	197.8 (4.5)	3,045.9	3,669.5	4,403.8
19. Punjab	2,364.5 (70.2)	4,043.9 (77.8)	3,029.4 (60.3)	917.5	1,165.9	1,243.3	1,447.0	2,878.0	1,786.1	867.4 (25.8)	1,019.5 (19.6)	1,593.9 (31.7)	135.4 (4.0)	136.4 (2.6)	398.7 (7.9)	3,367.3	5,199.8	5,022.0
20. Rajasthan	3,067.5 (64.9)	4,197.5 (71.2)	4,100.5 (68.7)	1,629.8	1,838.2	1,984.4	1,437.7	2,359.3	2,116.1	1,166.2 (24.7)	1,500.4 (25.5)	1,642.4 (27.5)	495.9 (10.5)	195.2 (3.3)	228.7 (3.8)	4,729.6	5,893.1	5,971.6
21. Sikkim	147.7 (83.1)	192.0 (80.0)	202.1 (79.8)	57.6	69.8	78.3	90.1	122.2	123.8	32.1 (18.1)	44.2 (18.4)	46.2 (18.3)	-2.0 (-1.1)	3.9 (1.6)	4.8 (1.9)	177.8	240.1	253.1
22. Tamil Nadu	4,737.9 (71.7)	5,234.3 (70.9)	5,704.2 (69.2)	2,657.5	2,894.1	3,183.0	2,080.4	2,340.2	2,521.2	1,495.7 (22.6)	1,813.9 (24.6)	2,115.6 (25.7)	373.2 (5.6)	338.4 (4.6)	418.5 (5.1)	6,606.8	7,386.6	8,238.3
23. Tripura	446.1 (73.0)	491.5 (72.0)	573.7 (72.9)	232.3	255.1	287.2	213.8	236.4	286.5	137.9 (22.6)	166.7 (24.4)	188.0 (23.9)	27.4 (4.5)	24.0 (3.5)	25.1 (3.2)	611.4	682.2	786.8
24. Uttar Pradesh	8,309.8 (67.5)	8,859.4 (65.6)	8,362.4 (59.1)	3,597.6	3,632.9	3,557.2	4,712.2	5,226.5	4,805.2	3,326.7 (27.0)	3,953.3 (29.3)	4,973.5 (35.1)	669.6 (5.4)	694.9 (5.1)	824.4 (5.8)	12,306.1	13,507.6	14,160.3
25. West Bengal	4,085.6 (67.9)	4,168.2 (64.3)	5,188.9 (67.2)	2,413.9	2,500.8	3,018.9	1,671.7	1,667.4	2,170.0	1,558.2 (25.9)	1,826.5 (28.2)	2,015.0 (26.1)	376.6 (6.3)	488.6 (7.5)	514.6 (6.7)	6,020.4	6,483.3	7,718.5
TOTAL	63,369.9 (69.5)	73,487.6 (69.3)	77,626.0 (66.4)	29,970.3	33,922.9	36,732.8	33,399.6	39,564.7	40,893.2	22,600.3 (24.8)	27,389.8 (25.8)	33,291.4 (28.5)	5,271.8 (5.8)	5,107.2 (4.8)	5,956.7 (5.1)	91,242.0	1,05,984.6	1,16,874.1

Note : Figures in brackets indicate percentages to Aggregate Disbursement.

revenue expenditure in aggregate disbursements would be fractionally lower at 80.0 per cent as against 80.3 per cent in 1991-92, while that of capital expenditure would go up to 20.0 per cent from 19.7 per cent in the same period.

While developmental expenditure would show a pronounced deceleration in the current year non-developmental expenditure would be marginally up as compared with last year (Table VIII - 14). Developmental expenditure at Rs. 77,626.0 crore would increase only by 5.6 per cent in the current year as against 16.0 per cent in the preceding year, while non-developmental expenditure at Rs. 33,291.4 crore would register an increase of 21.5 per cent as compared with 21.2 per cent last year (Table VIII-14). With the sharp deceleration in rate of growth of developmental expenditure expected in 1992-93 its share in aggregate disbursements would decline from 69.3 per cent to 66.4 per cent while that of non-developmental expenditure would go up from 25.8 per cent to 28.5 per cent. Within the developmental component, expenditure on social services, at Rs. 36,732.7 crore, would increase by 8.3 per cent in the current year as against 13.2 per cent in the preceding year while that on economic services, at Rs. 40,893.3 crore, would grow by 3.3 per cent as against 18.4 per cent.

Repayments of loans to the Centre, discharge of internal debt and other disbursements comprising compensation and assignments to local bodies, remittances (net) and reserves with finance departments are the other components of aggregate disbursements. These items are expected to increase by 8.0 per cent, 102.6 per cent and 10.4 per cent, respectively, to Rs. 4,067.0 crore, Rs. 900.0 crore and Rs. 989.7 crore, respectively, in the current year.

Transfer of Resources from the Centre to the States

Gross transfer of resources from the Centre comprising States' share in Central taxes, grants and loans from the Centre would go up by 14.6 per cent from Rs. 46,354.5 crore in 1991-92 to Rs. 53,142.0 crore in 1992-93 as against an increase of 13.4 per cent in 1991-92. Of the budgeted increase of Rs. 6,787.5 crore in gross transfer, States' share in Central taxes would be at Rs. 2,997.0 crore (44.2 per cent) followed by loans from the Centre at Rs. 2,668.2 crore (39.3 per cent) and grants from the Centre at Rs. 1,122.3 crore (16.5 per cent). Net transfer, adjusted for repayment of principal and interest payments would increase by Rs. 5,067.1 crore in 1992-93 as against Rs. 4,025.2 crore in 1991-92 — a rise of 25.9 per cent. Reflecting the increase, net transfer expressed as a percentage of both aggregate receipts (including loans from the Centre on net basis) and aggregate disbursements (excluding repayment of loans and interest payments to the Centre) would go up from 35.5 per cent and 37.5 per cent in 1991-92 to 36.1 per cent to 39.0 per cent, respectively, in 1992-93.

Additional Resource Mobilisation Measures (ARM)

Fifteen of the twenty five States have come out with proposals which aim at raising an additional revenue of Rs. 873.0 crore; of this expected yield, Rs. 746.8 crore would come from additional taxes while non-tax receipts would account for Rs. 126.2 crore (Table VIII - 22). As regards tax revenue, sales tax would contribute Rs. 192.8 crore followed by state excise duties Rs. 125.4 crore, stamps and registration fees Rs. 83.0 crore, motor vehicle tax Rs. 94.2 crore, tax on passenger and goods Rs. 35.1 crore, land revenue Rs. 15.0 crore, taxes on professions, trade, calling and employment Rs. 3.8 crore, entertainment tax Rs. 1.9 crore and the balance of Rs. 195.6 crore would come from other taxes and duties etc. Karnataka has proposed to raise the maximum amount of additional revenue of Rs. 244.9 crore while the minimum ARM efforts of Rajasthan Rs. 2.5 crore would form the other end of the spectrum.

Ways and Means Advances from Reserve Bank of India

1991-92

Reserve Bank of India provides Ways and Means Advances (WMA) — both normal and special — to the States to bridge temporary gaps in their financial positions arising out of uneven

Table VIII-22 : ESTIMATED YIELD FROM BUDGET PROPOSALS

(Rs. crores)

	States	1991-92	1992-93
	1	2	3
1.	Assam	109.0	40.0
2.	Goa	–	17.9
3.	Gujarat	76.0	50.1
4.	Haryana	–	60.0
5.	Himachal Pradesh	10.0	40.0
6.	Karnataka	10.2	244.9
7.	Kerala	160.3	129.4
8.	Madhya Pradesh	43.7	10.0
9.	Maharashtra	3.0	21.3
10.	Manipur	5.0	–
11.	Meghalaya	1.8	9.7
12.	Mizoram	8.0	–
13.	Orissa	358.7	–
14.	Punjab	–	42.8
15.	Rajasthan	7.7	2.5
16	Tamil nadu	70.0	85.0
17	Uttar Pradesh	37.4	61.4
18.	West Bengal	67.0	58.0
	Total	967.8	873.0
By Major Heads			
1.	Agricultural Income Tax	26.0	–
2.	Taxes on Professions, Trades, Callings and Employment	1.2	3.8
3.	Stamps and Registration Fees	24.4	83.0
4.	Land Revenue	203.0*	15.0
5.	Sales Tax	352.5	192.8
6.	State Excise Duties	82.2	125.4
7.	Tax on Vehicles	68.3	94.2
8.	Tax on Passengers and Goods	4.1	35.1
9.	Electricity Duties	34.3	–
10.	Entertainment Tax	1.8	1.9
11.	Other Taxes and Duties	26.7	195.6
12.	Non -Tax Revenue	143.3	126.2
	Total	**967.8**	**873.0**

* Includes cess on mining royalty.

flow of receipts and payments. Total limits for normal WMA for 23 States (excluding Jammu and Kashmir and Sikkim) which maintain accounts with the RBI have been fixed at Rs. 744.8 crore since March 1, 1988. Special WMA are also provided against the pledge of Government of India securities and these limits total Rs. 266.0 crore. However, the operative WMA limits depend upon the holding of these securities by each State Government. During 1991-92, four States, *viz.*, Goa, Karnataka, Maharashtra and Punjab did not avail WMA. On the other hand, Kerala and Madhya Pradesh availed the advance during all the months. All the States complied with the Overdraft Regulation Scheme which stipulates that outstanding overdrafts should be cleared within seven consecutive working days. However, during the current financial year, 1992-93 so far i. e. up to December 1992, five States and three States could not clear their overdrafts in June 1992 and in December 1992, respectively, within the stipulated period of seven working days. The Reserve Bank had, therefore, to stop the payments on behalf of those States until the overdrafts were cleared.

Annual Plan Outlay, 1992-93

The Annual Plan outlay of 25 States for 1992-93, as approved by the Planning Commission, has been fixed at Rs. 30,217 crore which would represent an increase of 28.1 per cent over the revised approved outlay of Rs. 23,585 crore for 1991-92 (Table VIII-23). The Plan allocations have gone up in respect of all the States over the previous year except Goa with a cut in outlay by 8.4 per cent. Plan outlay for individual States, in absolute terms, has varied between Rs. 110 crore (the lowest) in respect of Sikkim and Rs. 3,853 crore (the highest) for Uttar Pradesh. In percentage terms, the increase has been as low as 1.3 per cent for West Bengal and as high as 116.8 per cent for Bihar.

Total Central assistance for States' Plan, as per the Union Budget 1992-93, is estimated at Rs. 14,820.4 crore, a rise of 4.6 per cent over the revised estimates of Rs. 14,166.0 crore in 1991-92. Component-wise, normal Central assistance, special Central assistance and grants under Article 275(1) of the Constitution are budgeted at Rs. 11,954.3 crore, Rs. 826.1 crore and Rs. 1,719.9 crore, respectively, while assistance for rural electrification would be Rs. 260.0 crore.

Sector-wise allocation shows that agriculture and allied services, irrigation, flood control and power together would account for 51.9 per cent of the total, same as last year. Industry and minerals, and transport and communications would account for 5.5 per cent and 7.9 per cent more or less the same as in the previous year.

III RAILWAY FINANCES

Revised Estimates : 1991-92

Receipts

According to the revised estimates for 1991-92 the gross traffic receipts at Rs. 13,586.0 crore registered an increase of Rs. 267.0 crore (2.0 per cent) over the budget estimates; they were also higher by Rs. 1,489.5 crore (12.3 per cent) as compared with the actual receipts in 1990-91.

The passenger earnings at Rs. 3,647.0 crore exceeded the budget estimates by Rs. 154.0 crore (4.4 per cent); they were also substantially higher by Rs. 499.5 crore (15.9 per cent) as compared with the actual receipts in 1990-91. Goods earnings, a major component of gross traffic receipts, at Rs. 9,318.0 crore registered an increase of Rs. 96.0 crore (1.0 per cent) over the budget estimates and a larger increase of Rs. 910.1 crore (10.8 per cent) as compared with 1990-91. Sundry earnings and other coaching earnings (including suspense) at Rs. 621.0 crore registered a modest increase of Rs. 17.0 crore over the budget estimates. (Table VIII-24).

The increase in passenger earnings was mainly an account of higher volume of passenger traffic on the non-suburban sector. Suburban passenger traffic contributed only 10.8 per cent of the total passenger earnings during 1991-92, while the balance represents the share of non-suburban traffic. In the case of goods traffic, the Railways were able to achieve an incremental

Table VIII-23 : PLAN OUTLAY OF STATES

(Rs. crores)

	States	Actual Expenditure for Fourth Plan (1969-70 to 1973-74)	Actual Expenditure for Fifth Plan (1974-75 to 1978-79)	Actual Expenditure for Sixth Plan (1980-81 to 1984-85)	Seventh Plan Approved Outlay (1985-86 to 1989-90)	1985-86 (Actual Expenditure)	1986-87 (Actual Expenditure)	1987-88 (Actual Expenditure)	1988-89 (Actual Expenditure)	1989-90 (Actual Expenditure)	1990-91 (Actual Expenditure)	1991-92 (Revised Approved Outlay)	1992-93 (Approved Outlay)	Percentage variation over the previous year (Col. 13 over Col. 12)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Andhra Pradesh	426	1,449	3,221	5,200	943	1,205	1,123	1,341	1,351	1,486	1,400	1,660	+18.6
2.	Arunachal Pradesh	–	–	–	–	72	88	112	127	154	166	207	245	+18.4
3.	Assam	198	433	1,280	2,100	401	499	572	420	626	597	725	960	+32.4
4.	Bihar	479	1,185	2,949	5,100	932	1,281	1,195	1,269	1,365	1,258	1,016	2,203	+116.8
5.	Goa	–	–	–	–	–	73@	89	99	113	135	166	152	-8.4
6.	Gujarat	545	1,374	3,880	6,000	825	965	1,102	1,077	1,350	1,567	1,750	1,875	+7.1
7.	Haryana	358	671	1,569	2,900	423	481	464	561	581	615	722	830	+15.0
8.	Himachal Pradesh	113	236	669	1,050	192	239	277	288	321	378	407	486	+19.4
9.	Jammu and Kashmir	162	376	919	1,400	274	338	405 *	446	543	557	649	820	+26.3
10.	Karnataka	374	1,039	2,665	3,500	638	696	702 *	844	957	1,173	1,510	1,915	+26.8
11.	Kerala	333	661	1,645	2,100	366	427	390	470	526	596	620	913	+47.3
12.	Madhya Pradesh	476	1,396	3,865	7,000	1,010	1,169	1,413	1,505	1,680	1,703	1,713	2,400	+40.1
13.	Maharashtra	1,005	2,612	6,521	10,500	1,747	1,964	2,191	2,433	2,449	2,530	2,826	3,160	+11.8
14.	Manipur	31	93	243	430	70	84	105	116	135	165	195	210	+7.7
15.	Meghalaya	36	99	260	440	74	89	110	126	140	166	205	241	+17.6
16.	Mizoram	–	–	–	–	48	62	73	84	103	125	152	160	+5.3
17.	Nagaland	39	97	230	400	64	74	95	113	120	142	168	185	+10.1
18.	Orissa	249	640	1,562	2,700	446	574	701	752	793	1,086	1,050	1,405	+33.8
19.	Punjab	428	940	1,892	3,285	468	679	790	713	869	991	1,000	1,500	+50.0
20.	Rajasthan	309	872	2,135	3,000	428	528	645	702	796	973	1,166	1,400	+20.1

Table VIII-23 : PLAN OUTLAY OF STATES (Concld.)

(Rs. crores)

	States	Actual Expenditure for Fourth Plan (1969-70 to 1973-74)	Actual Expenditure for Fifth Plan (1974-75 to 1978-79)	Actual Expenditure for Sixth Plan (1980-81 to 1984-85)	Seventh Plan Approved Outlay (1985-86 to 1989-90)	1985-86 (Actual Expenditure)	1986-87 (Actual Expenditure)	1987-88 (Actual Expenditure)	1988-89 (Actual Expenditure)	1989-90 (Actual Expenditure)	1990-91 (Actual Expenditure)	1991-92 (Revised Approved Outlay)	1992-93 (Approved Outlay)	Percentage variation over the previous year (Col. 13 over Col. 12)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
21.	Sikkim	–	41	148	230	42	53	58	66	71	79	95	110	+15.8
22.	Tamil Nadu	552 *	1,143	3,584	5,750	999	1,151	1,277	1,279	1,386	1,496	1,610	1,751	+8.8
23.	Tripura	35	75	293	440	94	115	138	167	173	201	228	282	+23.7
24.	Uttar Pradesh	1,163	2,909	6,519	10,447	1,710	2,005	2,215	2,523	2,758	3,026	2,523	3,853	+52.7
25.	West Bengal	364	1,230	2,433	4,125	700	715	783	985	1,156	1,150	1,482	1,501	+1.3
A.	**Total (All States)**	**7,675**	**19,571**	**48,482$**	**78,097**	**12,966**	**15,554**	**17,025**	**18,506**	**20,516**	**22,361**	**23,585**	**30,217**	**+28.1**
B.	Hill Areas Including Western Ghats	–	170 *	557£	870	168 + +	188	200	238	–	287 @	290 $	290	
C.	Tribal Areas	–	167	485	756	140 + +	155	15	185	–	232 @	250	250	
D.	Total Union Territories	278	655	2,008	3,768	574	631	708	765	846	997	1,274	290	
E.	North Eastern Council	–	91	385	675	114 +	144	150	214	–	202 @	230	232	
F.	Border Areas	–	–	–	200	–	30	–	213	–	86	85	85	
G.	Other Special Areas Development Programme	–	–	–	58	**	N.A.	–	–	–	47	–	–	
	Grand Total (A TO G)	**7,953**	**20,654**	**51,917**	**84,424**	**13,962**	**16,702**	**18,098**	**20,121**	**21,362**	**24,212**	**25,714**	**31,364**	

£ : Relate to release of Fund.
* : The same amount as outlay released as actual expenditure is not known.
** : Included under (A).
\+ : Includes Rs. 10 crore for LIC loans.
\+ + : Actual expenditure are not available, revised estimates repeated.
@ : Includes actual expenditure for Union Territories of Daman and Diu also.
$: Subsequent revisions are not included.

Table VIII-24 : RAILWAY BUDGET AT A GLANCE

(Rs. crores)

	Items	1990-91 (Actuals)	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	Variation			
						Col. 4 over Col. 3		Col. 5 over Col 4	
						Amount	Percentage	Amount	Percentage
	1	2	3	4	5	6	7	8	9
I.	Gross Traffic Receipts (a to d) *	12,096.5	13,319.0	13,586.0	15,884.0	267.0	2.0	2,298.0	16.9
			(12,735.0)		(14,518.0)			(932.0)	(6.9)
	a) Passenger Earnings	3,147.5	3,493.0	3,647.0	4,648.0	154.0	4.4	1,001.0	27.4
	b) Goods Earnings	8,407.9	9,222.0	9,318.0	10,568.0	96.0	1.0	1,250.0	13.4
	c) Sundry Other Earnings (including suspense)	204.7	235.0	247.0	253.0	12.0	5.1	6.0	2.4
	d) Other Coaching Earnings	336.4	369.0	374.0	415.0	5.0	1.4	41.0	11.0
II.	Total Working Expenses (net) (a to c)	11,153.9	12,230.0	12,295.0	13,960.0	65.0	0.5	1,665.0	13.5
	a) Ordinary Working Expenses (net)	8,233.9	9,180.0	9,205.0	10,460.0	25.0	0.3	1,255.0	13.6
	b) Appropriation to Depreciation Reserve Fund	1,950.0	2,000.0	2,000.0	2,300.0	–	–	300.0	15.0
	c) Appropriation to Pension Fund	970.0	1,050.0	1,090.0	1,200.0	40.0	3.8	110.0	10.1
III.	Net Traffic Receipts (I-II)	942.6	1,089.0	1,291.0	1,924.0	202.0	18.5	633.0	49.0
IV.	Net Miscellaneous Receipts (a-b)	171.2	183.0	183.0	206.0	–	–	23.0	12.6
	a) Total Miscellaneous Receipts $	355.1	383.7	385.4	414.7	1.7	0.4	29.3	7.6
	b) Total Miscellaneous Expenditure $$	183.9	200.7	202.4	208.7	1.7	0.8	6.3	3.1
V.	Net Revenue (III + IV)	1,113.8	1,272.0	1,474.0	2,130.0	202.0	15.9	656.0	44.5
			(688.0)		(764.0)			(-710.0)	(-48.2)
VI.	Payment to General Revenues @	926.1	1,037.0	1,039.0	1,150.0	2.0	0.2	111.0	10.7
VII.	Payment of Deferred Dividend	12.0	–	–	416.5	–	–	416.5	–
VIII.	Surplus (+)/Deficit (-) (V-VI-VII)	175.7	235.0	435.0	563.5	200.0	85.1	128.5	29.5
			(-349.0)		(-802.5)				
IX.	Appropriation to (+) or Withdrawals from (-)								
	a) Railway Development Fund	175.7	235.0	435.0	563.5	200.0	85.1	128.5	29.5
	b) Railway Revenue Reserve Fund	–	–	–	–	–	–	–	–
X.	Operating ratio @@ (II÷I) (Percent)	92.0	91.8	90.3	87.7	–	–	–	–
XI.	Capital-at-Charge**	16,125.8	17,620.0	17,654.8	19,409.8	34.8	0.2	1,755.0	9.9
XII.	Net Revenue as Percentage of Capital-at-Charge***	6.9	7.2	8.3	10.9	–	–	–	–
XIII.	Surplus/Deficit as Percentage of Capital-at-Charge	1.1	1.3	2.5	2.9				

* : Includes receipts of worked lines

** : Excludes capital outlay on Metropolitan transport projects and Circular Railway (Eastern Railway).

*** : Ratio based on net Revenue before payment of dividend to General Revenues.

@ : Includes dividend to General Revenues, Payment-in-lieu of passenger fare tax and contribution to Railway Safety Works Fund.

$: Includes mainly receipts from subsidised companies, surcharge on passengers, subsidy from General Revenues towards dividend relief and other concessions.

$$: Includes mainly expenditure on subsidy, payment to worked lines, surveys, open line works, Revenue and Appropriation to Accident Compensation, Safety and Passenger Amenities Fund.

@@ : Excludes Metro Railways, Calcutta.

Note : Figures in brackets excludes Additional Resource Mobilisation of Rs. 584.0 crore and Rs. 1,366.0 crore proposed in the Budget for 1991-92 and 1992-93, respectively.

Source : Explanatory Memorandum on the Railway Budget, 1992-93.

revenue earning freight traffic of 18.6 million tonnes during the year as against the target of 19.0 million tonnes. Bulk commodities like coal, foodgrains, fertilizers, iron and steel and cement accounted for 69.0 per cent of the total freight movement.

Expenditure

The total working expenses (including appropriation to Depreciation Reserve Fund and Pension Fund) at Rs. 12,295.0 crore exceeded the budget estimates by Rs. 65.0 crore. They were higher by Rs. 1,141.0 crore (10.2 per cent) as compared with the actuals in 1990-91. The ordinary working expenses at Rs. 9,205.0 crore showed an increase of only Rs. 25.0 crore as compared with the budget estimates and a larger increase of Rs. 971.7 crore (11.8 per cent) as compared with actual expenses during 1990-91. It is noteworthy that there was an increase of only Rs. 25.0 crore in the revised estimates especially in the context of several post-budget developments such as payment of higher dearness allowances, devaluation, rise in electricity tariff, increase in cost of coal, etc.

Net Financial Position :

The Railways had put up an improved financial performance during 1991-92 and the year closed with a larger surplus of Rs. 435.0 crore as compared with Rs. 175.7 crore in 1990-91. The net position in respect of miscellaneous receipts showed no change from the budgeted level of Rs. 183.0 crore. Consequently, the net revenue (comprising net traffic receipts and net miscellaneous receipts) at Rs. 1,474.0 crore was also higher by Rs. 202.0 crore as compared with Rs. 1,272.0 crore in the budget estimates. The payment to General Revenue was a shade higher at Rs. 1,039.0 crore. An encouraging feature of the performance during 1991-92 was that the operating ratio was lower at 90.3 per cent as against 92.0 per cent in 1990-91. Net revenue to capital-at-charge ratio was higher at 8.3 per cent as compared with 6.9 per cent in 1990-91 which also reflected improved performance.

Developmental Expenditure:

The Plan outlay for 1991-92 was maintained at the budgeted level of Rs. 5,325.0 crore. The financing pattern of the Plan outlay indicated that greater reliance was placed on extra budgetary resources in view of the restricted budgetary support from General Revenues. Internal and extra-budgetary resources placed at Rs. 4,246.0 crore contributed 79.8 per cent of the Plan outlay of which market borrowings accounted for Rs. 1,500.0 crore or 28.2 per cent. The budgetary support to the Railways from General Revenues was placed lower at Rs. 1,079.0 crore as against Rs. 1,315.0 crore in 1990-91. The Annual Plan continued to lay emphasis on rolling stock, renewal of track, traffic facilities, electrification and new lines. The investment in rolling stock and track renewals accounted for 65.2 per cent of the Plan outlay. Traffic facilities, construction of new lines and electrification accounted for 11.3 per cent, 4.5 per cent and 5.7 per cent respectively, of the total Plan outlay during 1991-92 (Table VIII-25).

Budget Estimates : 1992-93

The Railway Budget for 1992-93 has envisaged a surplus of Rs. 563.5 crore as against a surplus of Rs. 435.0 crore in 1991-92*. The surplus of Rs. 563.5 crore takes into account the additional revenue of Rs. 1,366.0 crore** during the year expected from upward revisions in passenger fares, freight and parcel rates. The Annual Plan outlay for 1992-93 is placed higher at Rs. 5,700.0 crore as compared with Rs. 5,325.0 crore in 1991-92. The budgetary support of Rs. 917.0 crore for financing the Plan outlay in 1992-93 would be lower than Rs. 1,079.0 crore in 1991-92. The Railways propose to borrow Rs. 1,200.0 crore from the market as compared with Rs. 1,500.0 crore in 1991-92.

The budget estimates for 1992-93 are based on the assumption that both passenger traffic and revenue earning freight traffic would register an

* All references to 1991-92 relate to revised estimates unless stated otherwise.

** Post-budget concessions amounted to Rs. 60.0 crore.

Table VIII - 25 : DEVELOPMENTAL EXPENDITURE AND FINANCING PATTERN

(Rs. crores)

	Items	1990-91 (Actuals)	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)	Variation			
						Col. 4 over Col. 3		Col. 5 over Col. 4	
						Amount	Percentage	Amount	Percentage
	1	2	3	4	5	6	7	8	9
1.	Rolling Stock @	1,908.8	2,107.9	2,224.3	2,380.0	116.4	5.5	155.7	7.0
		(39.6)	(39.6)	(41.8)	(41.8)				
2.	Traffic Facilities *	547.6	637.9	605.3	832.4	−32.6	−-5.1	227.1	37.5
		(11.4)	(12.0)	(11.3)	(14.6)				
3.	Track Renewals	1,108.2	1,234.4	1,245.0	1,248.9	10.6	0.9	3.9	0.3
		(23.0)	(23.2)	(23.4)	(21.9)				
4.	Electrification $	289.1	305.0	301.8	303.4	−3.2	−1.0	1.6	0.5
		(6.0)	(5.7)	(5.7)	(5.3)				
5.	New Lines	280.9	249.0	241.3	186.0	− 7.7	−3.1	−55.3	−22.9
		(5.8)	(4.7)	(4.5)	(3.3)				
6.	Signalling and Telecommunication Works	127.2	135.8	133.0	150.4	−2.8	−2.1	17.4	13.1
		(2.6)	(2.5)	(2.5)	(2.6)				
7.	Staff Quarters	32.5	38.0	36.3	25.0	−1.7	−4.5	−11.3	−31.1
		(0.7)	(0.7)	(0.7)	(0.4)				
8.	Plant and Machinery	90.7	115.0	104.4	90.0	−10.6	−9.2	−14.4	−13.8
		(1.9)	(2.2)	(2.0)	(1.6)				
9.	Workshop including Production Units	203.1	275.2	188.4	300.4	−86.8	−31.5	112.0	59.4
		(4.2)	(5.2)	(3.5)	(5.3)				
10.	Computerisation	41.4	45.0	42.3	45.0	−2.7	−6.0	2.7	6.4
		(0.9)	(0.8)	(0.8)	(0.8)				
11.	Others (adjusted to credit or recoveries)	185.3	181.8	202.9	138.5	21.1	11.6	−64.4	−31.7
		(3.9)	(3.4)	(3.8)	(2.4)				
	Of which :								
	Metropolitan Transport Projects	(135.5)	(165.0)	(165.0)	(170.0)	−	−	5.0	3.0
	Total (1 to 11) @	**4,814.8**	**5,325.0**	**5,325.0**	**5,700.0**	**—**	**—**	**375.0**	**7.0**
		(100.0)*	**(100.0)**	**(100.0)**	**(100.0)**				
	Financing Pattern								
	1. Budgetary Support	1,315.0	1,294.0	1,079.0	917.0	−215.0	-16.6	-162.0	-15.0
		(27.3)	(24.3)	(20.2)	(16.1)				
	2. Market Borrowings	1,092.7	1,500.0	1,500.0	1,200.0	−	−	-300.0	-20.0
		(22.7)	(28.2)	(28.2)	(21.0)				
	3. Internal Resources	2,407.1	2,531.0	2,746.0	3,583.0	215.0	8.5	837.0	30.5
		(50.0)	(47.5)	(51.6)	(62.9)				

@ : Includes sum of Rs. 1,092 crore (Actuals, 1990-91), Rs. 1,500 crore (Budget Estimtes and Revised Estimates, 1991-92) and Rs. 1,200 crore (Budget Estimates, 1992-93) raised or proposed to be raised through market borrowings by the Indian Railway Finance Corporation (IRFC) for financing Plan investment of the Railways.

* : Includes restoration of dismantled lines, gauge conversion, doubling, yard remodelling, etc.

$: Includes 'other electrical works' also.

Note : Figures in brackets represent percentages to total.

Source : Explanatory Memorandum on the Railway Budget, 1992-93.

increase of 5.0 per cent each during the year. The number of passengers originating is expected to go up from 4,073 million in 1991-92 to 4,281 million in 1992-93. As regards freight movement, the Railways have set a target of 354.0 million tonnes of revenue earning freight traffic for 1992-93 as compared with 337.0 million tonnes in 1991-92. Gross traffic receipts, after taking into account the additional revenue of Rs. 1,366.0 crore from the proposed revision in the fares and freight rates, estimated at Rs. 15,884.0 crore would show an increase of Rs. 2,298.0 crore (16.9 per cent) over the previous year. The total working expenses (net) during 1992-93 are budgeted to rise by Rs. 1,665.0 crore (13.5 per cent) to Rs. 13,960.0 crore. The net traffic receipts during 1992-93 are budgeted at Rs. 1,924.0 crore — an increase of Rs. 633.0 crore — as compared with the previous year. The net revenue, during the year would improve by Rs. 656.0 crore to Rs. 2,130.0 crore. In view of this expected improvement in the net revenue position, the railways had provided for higher payment of Rs. 1,150.0 crore to general revenues as against Rs. 1,039.0 crore last year. The net financial position of the Railways would show a surplus of Rs. 563.5 crore during 1992-93.

The performance indicators such as operating ratio and net revenue to capital ratio are expected to show further improvement during the year. The operating ratio is expected to be further lower at 87.7 per cent from 90.3 per cent in 1991-92 while the net revenue to capital ratio would improve to 10.9 per cent from 8.3 per cent.

The losses which the Railways have been incurring on account of its social obligations are indicated in Table VIII-26.

IV. Finances of Department of Posts and Department of Telecommunications

A review of the financial position of Department of Posts and Department of Telecommunications is presented in the following paragraphs.

A. Department of Posts —

The financial position of the Department of Posts during 1991-92 indicated a deficit of Rs. 255.1 crore, as per the revised estimates, as compared with that of Rs. 263.0 crore in 1990-91.

TABLE VIII-26 : FINANCIAL IMPACT OF SOCIAL OBLIGATIONS

(Rs. crores)

Item	1989-90 (Actuals)	1990-91 (Actuals)	1991-92 (Extimates)*
1	2	3	4
1. Loss on Coaching Services (Suburban and Non-Suburban Passenger Traffic, Parcel Luggage, etc.)	1819.9 (86.5)	1795.9 (81.6)	1808.3 (81.2)
2. Loss on low rated freight like Foodgrains, Fodder, Charcoal, Firewood, Fruits and Vegetables, etc.	284.1 (13.5)	405.7 (18.4)	418.8 (18.8)
3. Total (1+2)	2104.0 (100.0)	2201.6 (100.0)	2227.1 (100.0)
4. Receipts including miscellaneous receipts	11,041.3	12,451.6	13,971.4
5. Expenditure including miscellaneous expenditure	10,059.2	11,337.8	12,497.4
6. Percentage of item (3) to item (4)	19.1	17.7	15.9
7. Percentage of item (3) to item (5)	20.9	19.4	17.8

* Revised estimates.

Note : Figures in brackets represent percentages to Total.

Sources : 1. Indian Railway Year Book, 1990-91.

2. Explanatory Memorandum on the Railway Budget, 1992-93.

The revenue receipts at Rs. 920.0 crore were lower than the budget estimates of Rs. 960.0 crore but were higher by Rs. 79.2 crore (9.4 per cent) as compared with the position in 1990-91.

The working expenses were marginally lower at Rs. 1,515.0 crore as compared with the budgeted amount of Rs. 1,525.1 crore but were substantially higher by Rs. 206.7 crore (15.8 per cent) as compared with that of Rs. 1,308.3 crore in 1990-91. 'Operational Expenses' at Rs. 1,046.8 crore was the largest component, accounting for 69.1 per cent of the total working expenses in 1991-92. Net working expenses, at Rs. 1,175.0 crore though lower than the budget estimates of Rs. 1,215.1 crore, were higher by Rs. 142.5 crore as compared with Rs. 1,032.5 crore in 1990-91 (Table VIII - 27).

The Department of Posts was neither able to pay dividend to General Revenues nor make any contribution towards capital expenditure.

Capital Outlay — 1991-92

The capital outlay of the Department of Posts placed at Rs. 48.0 crore, though lower by Rs. 14.9 crore (31.0 per cent) as compared with the budget estimates of Rs. 62.9 crore, was higher by Rs. 16.5 crore (52.4 per cent) than the outlay of Rs. 31.5 crore in 1990-91. The capital outlay consisted of Plan expenditure of Rs. 45.0 crore and non-Plan

TABLE VIII-27 : Financial Working of Department of Posts*

(Rs. crores)

Item	1990-91 (Accounts)	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
1. Revenue Receipts	**840.85**	**960.00**	**920.00**	**960.00**
2. Working Expenses	**1308.26**	**1525.10**	**1515.00**	**1558.73**
of which:				
i) Operation	905.43	1063.82	1046..83	1057.21
ii) General Administration	83.28	105.47	93.56	105.00
iii) Engineering	11.48	27.48	20.00	39.50
iv) Pension	150.31	135.16	108.30	176.5
v) Accounts and Audit	30.88	41.86	37.30	39.50
vi) Stationery and Printing	63.16	66.33	69.50	74.70
vii) Agency Services	46.31	60.25	56.39	58.40
viii) Depreciation	5.40	6.00	6.00	7.50
ix) Others	12.01	18.73	17.12	0.52
3. Credits to Working Expenses	275.76	310.00	340.00	450.00
4. Net Working Expenses (2-3)	1032.50	1215.10	1175.00	1108.73
5. Net Receipts (1-4)	263.00	—255.10	—255.10	—148.73
6. Dividend to General Revenues	—			
7. Surplus (+)/Deficit (—) before making contributions towards Capital Expenditure (5-6)	**—263.00**	**—255.10**	**—255.10**	**—148.73**
8. Contributions towards Capital Expenditure	**—**	**—**	**—**	**—**
9. Surplus (+)/Deficit(—) after making contributions towards Capital Expenditure	**—263.00**	**—255.10**	**—255.10**	**—148.73**
10. Appropriations to (+)/Withdrawals from (—) @				
a) Revenue Reserve Fund	—	—	—	—
b) Capital Reserve Fund	—	—	—	—

* The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31-12-1984.

@ Consequent on the constitution of two distinct departments viz., Department of Posts and Department of Telecommunications, the surplus transferred to P&T Revenue Reserve Fund & withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

Source : Detailed Demand for Grants of Department of Posts — 1992-93.

expenditure of Rs. 3.0 crore as compared with the budget estimates of Rs. 59.9 crore and Rs. 3.0 crore, respectively.

The capital outlay of Rs. 48.0 crore was financed by the capital advanced from the General Revenues (Rs. 42.0 crore) and remaining being financed by the depreciation on historical costs transferred from revenues (Rs. 6.0 crore) (Table VIII : 28).

Budget Estimates — 1992-93

The budget estimates for 1992-93 have projected a lower deficit of Rs. 148.7 crore during 1992-93 than that of Rs. 255.1 crore during 1991-92.

The revenue receipts estimated at Rs. 960.0 crore are higher by Rs. 40.0 crore (4.3 per cent) as against Rs. 920.0 crore in 1991-92.

The working expenses are estimated to increase by Rs. 43.7 crore (2.9 per cent) to Rs. 1,558.7 crore in 1992-93. The expenditure on 'Operation' is placed at Rs. 1,057.2 crore — a rise of Rs. 10.4 crore as compared with Rs. 1,046.8 crore in 1991-92. Net working expenses, are estimated lower at Rs. 1,108.7 crore in 1992-93.

As in the case of last year, this year too, no provision has been made for payment of Dividend to General Revenues and for making any contribution towards capital expenditure in view of the unsatisfactory financial position.

The capital outlay of the Department is anticipated to rise by Rs. 20.8 crore to Rs. 68.8 crore in 1992-93. The Plan expenditure is envisaged higher at Rs. 65.9 crore during 1992-93 as compared with that of Rs. 45.0 crore in 1991-92. The non-Plan expenditure is envisaged to be marginally lower at Rs. 2.9 crore in 1992-93 as compared with that of Rs. 3.0 crore in 1991-92.

B. **Department of Telecommunications Revised Estimates : 1991-92**

According to the revised estimates for the year 1991-92 the overall financial position of the Department of Telecommunications showed larger surplus of Rs. 1,570.0 crore as compared with that of Rs. 1,327.6 crore in 1990-91.

The revenue receipts at Rs. 3,985.0 crore were higher than the budget estimates of Rs. 3,965.0 crore; they were also higher by Rs. 580.2 crore (17.0 per cent) as compared with Rs. 3,404.8 crore in 1990-91.

The working expenses at Rs. 2,425.0 crore were lower than Rs. 2,490.0 crore in the budget estimates but were higher by Rs. 360.5 crore (17.5 per cent) as compared with Rs. 2,064.5 crore in 1990-91. Of the total working expenses of Rs. 2,425.0 crore, a major portion of the expenses (around 76.4 per cent) were accounted for by engineering, operation and depreciation. The expenses on engineering rose by Rs. 98.5 crore to Rs. 876.4 crore in 1991-92 while operational expenses at Rs. 463.0 crore in 1991-92 were higher by Rs. 69.6 crore as compared with Rs. 393.4 crore in 1990-91 (Table VIII - 29).

The net working expenses, at Rs. 2,169.7 crore were lower than the budget estimates but were higher by Rs. 312.7 crore as compared with Rs. 1,857.0 crore in 1990-91. The net receipts (i. e. revenue receipts less net working expenses) at Rs. 1,815.4 crore were higher by Rs. 267.6 crore (17.3 per cent) as compared with Rs. 1,547.8 crore in 1990-91. The payment of Dividend to General Revenues was higher at Rs. 245.4 crore as compared with Rs. 224.7 crore in the budget estimates and Rs. 220.3 crore in 1990-91. The surplus of Rs. 1;570.0 crore in 1991-92 was utilised to make appropriations to the Revenue Reserve Fund and Capital Reserve Fund of Rs. 28.0 crore and Rs. 1,542.0 crore, respectively.

Table VIII - 28 : CAPITAL OUTLAY OF DEPARTMENT OF POSTS*

(Rs. crores)

Item	1989-90 (Accounts)			1990-91 (Accounts)			1991-92 (Budget Estimates)			1991-92 (Revised Estimates)			1992-93 (Budget Estimates)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Expenditure	**33.0**	**0.8**	**33.8**	**31.5**	**—**	**31.5**	**59.9**	**3.00**	**62.90**	**45.0**	**3.0**	**48.0**	**65.9**	**2.9**	**68.8**
2. Financed from :															
i) Receipts and Recoveries on (a + b)	—	0.0	0.0	—	—	—	—	—	—	—	—	—	—	—	—
a) Capital Account	—	0.0	0.0	—	—	—	—	—	—	—	—	—	—	—	—
b) Under Stores Suspense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
ii) Capital Reserve Fund @	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
iii) Depreciation on Historical Costs transferred from Revenue	—	5.2	5.2	—	5.4	5.4	—	6.0	6.0	—	6.0	6.0	—	7.5	7.5
iv) Contributions towards Capital Expenditure from Revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
v) Capital advanced from General Revenue	33.0	−4.5	28.5	31.5	− 5.4	26.1	59.9	− 3.0	56.9	45.0	−3.0	42.0	65.9	−4.6	61.3
Total (i to v)	**33.0**	**0.08**	**33.8**	**31.5**	**—**	**31.5**	**59.9**	**3.0**	**62.9**	**45.0**	**3.0**	**48.0**	**65.9**	**2.9**	**68.8**

* : The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Tele communications with effect from 31.12.1984.

@ : Consequent on the constitution of the two distinct departments viz. Department of Posts and Department of Telecommunications, the surplus transferred to P&T Revenue Reserve Fund and withdrawals from Capital Reserve Fund from 1989-90 entirely relates to Telecommunications.

Source : Detailed Demand for Grants of Department of Posts 1992- 93.

Table VIII - 29 : FINANCIAL WORKING OF DEPARTMENT OF TELECOMMUNI CATIONS*

(Rs. crores)

	Item	1990-91 (Accounts)	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
	1	2	3	4	5
1.	Revenue Receipts	3,404.8	3,965.0	3,985.0	4,917.0
2.	Working Expenses	2,064.5	2,490.0	2,425.0	2,864.0
	Of which :				
	i) Operation	393.4	457.5	463.0	508.7
	ii) General Administration	171.6	219.9	208.4	240.0
	iii) Engineering	777.9	910.3	876.4	998.8
	iv) Pension	85.2	110.0	102.1	130.0
	v) Accounts and Audit	14.8	16.6	16.3	18.1
	vi) Stationary and Printing	6.8	12.1	10.0	15.0
	vii) Stores and Factories	21.3	24.8	10.5	17.8
	viii) Depreciation	388.7	513.1	513.0	621.0
	ix) Others	205.0	225.7	225.4	314.5
3.	Credits to Working Expenses	207.5	236.7	255.4	337.8
4.	Net Working Expenses (2-3)	1,857.0	2,253.3	2,169.7	2,526.2
5.	Net Receipts (1-4)	1,547.8	1,711.7	1,815.4	2,390.8
6.	Dividend to General Revenues	220.3	224.7	245.4	250.8
7.	Surplus (+)/Deficit (-) before making contributions towards Capital Expenditure (5-6)	1,327.6	1,487.0	1,570.0	2,140.0
8.	Contributions towards Capital Expenditure	–	–	–	–
9.	Surplus (+)/Deficit (-) after making contributions towards Capital Expenditure	1,327.6	1,487.0	1,570.0	2,140.0
10.	Appropriations to (+)/Withdrawals from (-) @				
	a) Revenue Reserve Fund	17.2	30.0	28.0	30.0
	b) Capital Reserve Fund	1,310.5	1,457.0	1,542.0	2,110.0

* : The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

@ : Consequent on the constitution of two distinct departments viz. Department of Posts and Department of Telecommunications, the surplus transferred to P&T Revenue Reserve Fund & withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

Source : Detailed Demand for Grants of Department of Telecommunications - 1992-93.

Capital Outlay — 1991-92

The capital outlay, according to the revised estimates, was higher at Rs. 2,848.0 crore as compared with the budget estimates of Rs. 2,626.0 crore and the actuals of Rs. 2,466.2 crore in 1990-91. Plan expenditure (under Telecommunication Services) was higher at Rs. 2,648.0 crore, accounting for 93.0 per cent of the capital outlay in 1991-92 as compared with Rs. 2,214.2 crore accounting for 89.8 per cent in 1990-91. Non-Plan expenditure (under Stores and Manufacture Suspense) was lower at Rs. 200.0 crore in 1991-92 as compared with Rs. 252.0 crore in the previous year. The capital outlay was financed by Capital Advanced from General Revenues to a lower extent at Rs. 194.3 crore in 1991-92 as compared with Rs. 556.7 crore in the previous year. On the other hand, the share of internal finances (other than General Revenues) in the total capital outlay increased from 77.4 per cent in 1990-91 to 93.2 per cent in 1991-92 (Table VIII: 30).

Budget Estimates — 1992-93

The budget estimates for 1992-93 have envisaged a larger surplus of Rs. 2,140.0 crore as compared with Rs. 1,570.0 crore, in 1991-92. The revenue receipts are estimated to be higher by Rs. 932.0 crore, rising from Rs. 3,985.0 crore during 1991-92 to Rs. 4,917.0 crore during 1992-93. The working expenses are also budgeted higher by Rs. 439.0 crore from Rs. 2,425.0 crore during 1991-92. The major items of expenditure continued to be engineering, operations and depreciation, together accounting for around 74.3 per cent of the total working expenses. The net working expenses are estimated to be higher at Rs. 2,526.2 crore in 1992-93 as compared with Rs. 2,169.7 crore in 1991-92. The net receipts are anticipated to rise by Rs. 575.4 crore from Rs. 1,815.4 crore in 1991-92 to Rs. 2,390.8 crore in 1992-93. The appropriations to Revenue Reserve Fund and Capital Reserve Fund are placed at Rs. 30.0 crore and Rs. 2,110.0 crore, respectively.

The capital outlay during 1992-93 is budgeted to rise substantially to Rs. 4,013.0 crore from Rs. 2,848.0 crore in 1991-92. Plan outlay would be considerably higher at Rs. 3,753.0 crore as against Rs. 2,648.0 crore in 1991-92 while non-Plan outlay would go up modestly by Rs. 60.0 crore.

V. Public Debt and Other Liabilities

A. Central Government

During 1991-92, the increase in aggregate liabilities of the Centre was smaller in magnitude both in absolute and percentage terms as compared with the previous year. Aggregate liabilities comprising public debt and other liabilities increased by Rs. 38,461.4 crore (12.2 per cent) to Rs. 3,53,180.3 crore as compared with a rise of Rs. 46,526.4 crore (17.3 per cent) in the preceding year.

It is estimated that the aggregate liabilities would go up further to Rs. 3,95,338.6 crore by end-March 1993 — an increase of Rs. 42,158.3 crore or 11.9 per cent. (Table-VIII-31). Reflecting the slower incremental growth during the year under review, aggregate liabilities as a proportion of Gross Domestic Product (GDP) at current market prices declined to 57.0 per cent from 59.4 per cent in 1990-91.

The share of public debt in aggregate liabilities declined marginally from 59.0 per cent in 1990-91 to 58.2 per cent in 1991-92 and is expected to decline further to 57.6 per cent by end March 1993. The proportion of 'Other Liabilities' comprising small savings, provident funds, other accounts and reserve funds and deposits on the other hand, increased from 41.1 per cent at end-March 1991 to 41.8 per cent at end-March 1992 and is estimated to rise further to 42.4 per cent by end-March 1993.

Public Debt

During 1991-92, public debt — both external and internal debt increased by a smaller magnitude of Rs. 20,075.8 crore (10.8 per cent) to Rs. 2,05,604.8 crore as compared with an increase of Rs. 23,993.0 crore (14.8 per cent) in 1990-91. It is expected to rise further by Rs. 21,979.2 crore (10.7 per cent) to Rs. 2,27,584.0 crore at the end of the current fiscal year. Public debt as a proportion of GDP at current market prices i. e. (debt ratio) declined from 35.0 per cent in 1990-91 to 33.7 per cent in 1991-92.

Table VIII - 30 : CAPITAL OUTLAY OF DEPARTMENT OF TELECOMMUNICATIONS*

(Rs. crores)

Item	1989-90 (Accounts)			1990-91 (Accounts)			1991-92 (Budget Estimates)			1991-92 (Revised Estimates)			1992-93 (Budget Estimates)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Expenditure (a+b)	2,071.3	198.1	2,269.4	2,214.2	252.0	2,466.2	2,426.0	200.0	2,626.0	2,648.0	200.0	2,848.0	3,753.0	260.0	4,013.0
a) Telecommunication Services	2,071.3	–	2,071.3	2,214.2	–	2,214.2	2,426.0	–	–2,426.0	2,648.0	–	2,648.0	3,753.0	–	3,753.0
b) Under Stores and Manufacture Suspense	–	198.1	198.1	–	252.0	252.0	–	200.0	200.0	–	200.0	200.0	–	260.0	260.0
2. Financed from :															
i) Receipts and Recoveries on (a+b+c)	500.0	–	500.0	172.0	–	172.0	397.0	–	397.0	604.0	–	604.0	878.0	–	878.0
a) Capital Account	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
b) Under Stores and Manufacture Suspense	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
c) Deposits of Mahanagar Telephone Nigam Ltd.	500.0	–	500.0	172.0	–	172.0	397.0	–	397.0	604.0	–	604.0	878.0	–	878.0
ii) Advance Rentals Received under Telex O.Y.T. and Other Schemes	35.9	–	35.9	27.4	–	27.4	46.9	–	46.9	44.7	–	44.70	146.7	–	146.7
iii) Deposits Received under Telex Deposit Scheme	1.3	–	1.3	1.7	–	1.7	2.0	–	2.0	2.0	–	2.0	2.0	–	2.0
iv) Capital Reserve Fund @	947.9	110.0	1,057.9	1,207.1	93.4	1,300.5	1,429.9	20.0	1,449.9	1,445.0	25.0	1,470.0	2,079.0	25.0	2,104.0
v) Depreciation on Historical Costs transferred from Revenue	302.0	–	302.0	387.9	–	387.9	513.0	–	513.0	513.0	–	513.0	621.0	–	621.0
vi) Contributions towards Capital Expenditure from Revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
vii) Capital advanced from General Revenue	264.1	88.1	352.2	398.1	158.6	556.7	17.2	180.0	197.2	19.3	175.0	194.3	6.3	235.0	241.3
viii) Repayment of Loans by Mahanagar Telephone Nigam Ltd.,	20.0	–	20.0	20.0	–	20.0	20.0	–	20.0	20.0	–	20.0	20.0	–	20.0
Total (i to viii)	**2,071.3**	**198.1**	**2,269.4**	**2,214.2**	**252.0**	**2,466.2**	**2,426.0**	**200.0**	**2,626.0**	**2,648.0**	**200.0**	**2,848.0**	**3,753.0**	**260.0**	**4,013.0**

* : The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

@ : Consequent on the constitution of the two distinct departments viz,. Department of Posts and Department of Telecommunications, the surplus transferred to P&T Revenue Reserve Fund and withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

Table VIII - 31 : PUBLIC DEBT AND OTHER LIABILITIES OF THE GOVERNMENT OF INDIA
(As at the end of March)

(Rs. crores)

	Item	1990-91 (Accounts)	1991-92 (Budget Estimates)	1991-92 (Revised Estimates)	1992-93 (Budget Estimates)
	1	2	3	4	5
A.	**Public Debt (1+2)**	**1,85,529.0**	**2,06,711.45**	**2,05,604.8**	**2,27,584.0**
		(35.1)	**(33.4)**	**(33.2)**	
B.	**Total Internal Debt (i to ix)**	**1,54,004.0**	**1,71,589.0**	**1,70,103.8**	**1,88,019.4**
		(29.1)	**(27.7)**	**(27.5)**	
	i) Market Loans	70,520.4	78,019.8	78,020.2	83,020.3
	ii) Market Loans in course of repayment	45.8	45.5	45.8	45.8
	iii) Others @	788.3	888.0	1,083.3	1,352.9
	iv) Special Bearer Bonds	951.0	–	276.0	1.0
	v) 91 days Treasury Bills	6,953.3	44,266.2	12,149.3	17,021.3
	vi) 91 days Treasury Bills funded into Special Securities	66,000.0	36,000.0	66,000.0	66,000.0
	vii) Special Securities issued to the Reserve Bank	1,101.4	1,046.4	1,046.4	1,046.4
	viii) 182 days Treasury Bills	1,077.6	1,274.3	3,077.6	3,577.6
	ix) Special Securities issued to International Financial Institutions +	6,566.2	10,048.8	8,405.2	15,954.1
2.	**External Debt**	**31,525.0**	**35,122.4**	**35,501.0**	**39,564.6**
3.	**Other Liabilities (a to d)**	**1,29,189.0**	**1,48,489.7**	**1,47,575.5**	**1,67,754.6**
		(24.4)	**(23.9)**	**(23.8)**	
	a) Small Savings Schemes	50,100.2	56,281.3	55,620.2	61,790.2
	b) Provident Funds	11,668.3	13,635.4	13,918.3	16,418.3
	i) State Provident Funds	8,869.6	10,157.4	10,269.6	11,769.6
	ii) Public Provident Funds	2,798.7	3,478.0	3,648.7	4,648.7
	c) Other Accounts*	45,271.4	54,410.8	53,186.9	62,244.8
	d) Reserve Funds and Deposits** (i+ii)	22,150.0	24,162.1	24,850.1	27,301.3
	i) Bearing Interest	10,799.4	12,497.1	13,034.1	14,854.1
	ii) Not Bearing Interest	11,350.6	11,665.0	11,816.0	12,447.2
C.	**Aggregate Liabilities (A+B)**	**3,14,718.8**	**3,55,201.1**	**3,53,180.3**	**3,95,338.6**
		(59.4)	**(57.4)**	**(57.1)**	
D.	**Amount due from Pakistan on account of Pre-partition debt (approx.)**	**300.0**	**300.0**	**300.0**	**300.0**
E.	**Net Liabilities of Central Government (C-D)**	**3,14,418.8**	**3,54,901.1**	**3,52,880.3**	**3,95,038.6**

@ : Comprises compensation and other bonds such as National Rural Development Bonds and Capital Investment Bonds. Annuity Certificates are excluded from here and shown under Small Savings.

\+ : These represent mainly non-negotiable non-interest bearing securities issued to International Financial Institutions.

* : Includes mainly Postal Insurance and Life Annuity Fund, Borrowings under Compulsory Deposits and Income-Tax Annuity Deposits, Special Deposits of non-Government Provident Funds.

** : Includes Depreciation and Reserve Funds of Railways and Department of Posts and Department of Telecommunications, deposits of Local Funds, departmental and judicial deposits, civil deposits, etc.

Note : Figures in brackets represent percentages to CSO estimates of Gross Domestic Product at Current Market Prices.

Sources : 1) Finance Accounts, Goverment of India.
2) Receipts Budget, 1992-93, Government of India.

The share of internal debt in total public debt was fractionally lower at 82.7 per cent than that of 83.0 per cent in 1990-91 and correspondingly share of external debt edged up from 17.0 per cent to 17.3 per cent.

External Debt

During 1991-92, the external debt of the Centre increased by Rs. 3,976.0 crore (12.6 per cent) to Rs. 35,501.0 crore as compared with an increase of Rs. 3,182.3 crore (11.2 per cent) during 1990-91. The external debt is estimated to rise by Rs. 4,063.6 crore (11.4 per cent) during the current year to Rs. 39,564.6 crore. The ratio of external debt to GDP at current market prices stood lower at 5.7 per cent during 1991-92 as against 7.0 per cent in 1990-91.

The Union Budget for 1992-93 has taken credit for an amount of Rs. 7,950.2 crore as inflow in the form of external loans (exclusive of receipts of Rs. 663.7 crore under revolving fund), during the year as compared with an amount of Rs. 7,256.3 crore in 1991-92. Repayments of principal and interest payments would amount to Rs. 3,886.5 crore and Rs. 2,916.1 crore, respectively, in 1992-93 as compared with Rs. 3,280.3 crore and Rs. 2,640.8 crore in 1991-92. Net external loans adjusted for repayment of principal and interest payments would be lower at Rs. 1,147.6 crore in 1992-93 as compared with Rs. 1,335.2 crore in 1991-92.

Internal Debt

The outstanding internal debt of the Centre comprising mainly market loans, treasury bills, special securities issued to RBI, special floating and other loans stood at Rs. 1,70,103.8 crore at end-March 1992, higher by Rs. 16,099.8 crore (10.4 per cent) as compared with the previous year. According to the Union Budget for 1992-93, the internal debt is estimated to rise further by Rs. 17,915.6 crore (10.5 per cent) to Rs. 188,019.4 crore at the end of the current financial year. Internal debt expressed as a percentage of aggregate liabilities was a shade lower at 48.2 per cent in 1991-92 as compared with 48.9 per cent in 1990-91; it is expected to drop further to 47.6 per cent by end-March 1993. The proportion of internal debt to GDP at current market prices also declined from 29.1 per cent in 1990-91 to 27.5 per cent in 1991-92.

Component-wise analysis of internal debt showed that 91-day treasury bills rose by Rs. 5,196.0 crore (71.2 per cent) and market loans increased by Rs. 7,499.8 crore (10.6 per cent) during 1991-92. The increase in these two components accounted for 78.9 per cent of the total increase in internal debt during the year. The other components which recorded increases were special floating and other loans (Rs. 1,838.9 crore), others mainly consisting of compensation and other bonds (Rs. 295.0 crore) and 182-day treasury bills (Rs. 2,000.0 crore). Special securities issued to RBI were placed at Rs. 66,000.0** crore while special bearer bonds declined by Rs. 675.0 crore.

Market Borrowings : 1991-92*

During 1991-92, the Centre mobilised through market borrowings a gross amount of Rs. 8,919.3 crore which was marginally higher by Rs. 1.3 crore than the budget estimates. Repayment obligations during the year were placed at Rs. 1,418.0 crore and the net market borrowings thus amounted to Rs. 7,501.1 crore (Table-VIII-32).

The Central Government commenced its market borrowings programme with its first tranche in August 1991 and completed the same with the sixth tranche in March 1992; of the six tranches, second, fourth, fifth and sixth were on cash basis while the other two were on cash-cum-conversion basis.

The gross redemption yield on Central Government securities (average of months) worked out at 13.36 per cent during 1991-92 as compared with 12.30 per cent during 1990-91. (Reference : Statement No.— Volume II of the Report).

1992-93

The gross and net market borrowings budgeted at Rs. 6,151.0 crore and Rs. 5,000.0 crore, respectively, during 1992-93 are

* Data relate to actuals compiled from RBI records.

** The figure does not include the subsequent conversion of Rs. 5,000.0 crore of ad-hoc Treasury Bills into special securities (as per RBI records).

Table VIII - 32 : MARKET BORROWINGS OF GOVERNMENT OF INDIA : 1991-92

(Rs. crores)

Date	Loans floated	Issue Price (Rupees)	Amount of Issue	Subscription Accepted			Repay ment in cash for Uncovered Maturing Securities	Net Market Borrowings [Col. 7 - (Col. 6 + Col. 8)]
				Cash	Conversion	Gross Market Borrowings (Col. 5 + Col. 6)		
1	2	3	4	5	6	7	8	9
5.8.1991	10.50% Loan 1996 (Second Series)	1000.00		66.62	2.19	68.81		
	10.75% Loan 2001	1000.00		50.01	2.70	52.71		
	11.25% Loan 2006	1000.00	2,000.00	100.06	1.52	101.58		
	11.50% Loan 2011	1000.00		753.65	1,026.71	1,780.36		
				970.34	**1,033.12**	**2,003.46**	**263.65**	**706.69**
9.9.1991	10.50% Loan 1996 (II Issue) (Second Series)	1000.00		29.21	–	29.21		
	10.75% Loan 2001 "	1000.00		0.06	–	0.06		
	11.25% Loan 2006 "	1000.00	2,000.00	8.01	–	8.01		
	11.50% Loan 2011 "	1000.00		1,965.00	–	1,965.00		
				2,002.28		**2,002.28**	—	**2,002.28**
21.10.1991	10.75% Loan 1996	1000.00		3.14	1.43	4.57		
	11.00% Loan 2001	1000.00		0.66	–	0.66		
	11.50% Loan 2006 (Second Series)	1000.00		0.03	0.01	0.04		
	12.00% Loan 2011	1000.00	1,200.00	1,150.06	44.77	1,194.83		
				1,153.89	**46.21**	**1,200.10**	**75.20**	**1,078.69**
2.12.1991	10.75% Loan 1996 (II Issue)	1000.00		77.03	–	77.03		
	11.00% Loan 2001 "	1000.00		50.04	–	50.04		
	11.50% Loan 2006 " (Second Series)	1000.00	1,000.00	25.97	–	25.97		
	12.00% Loan 2011 "	1000.00		849.00	–	849.00		
				1,002.04	—	**1,002.04**	—	**1,002.04**
20.1.1992	10.75% Loan 1996 (III Issue)	1000.00	1,500.00	158.41	–	158.41		
	12.00% Loan 2011 "	1000.00		1,343.08	–	1,343.08		
				1,501.49	–	1,501.49	–	1,501.49
25.3.1992	12.50% Loan 2007	1000.00	1,208.00	1,209.90	–	1,209.90	–	1,209.90
	Total during 1991-92		**8,908.00**	**7,839.94**	**1,079.33**	**8,919.27**	**338.85**	**7,501.09**

Source : Reserve Bank of India Records.

substantially lower than the amounts mobilised during 1991-92. The reduction in market borrowing targets has to be viewed in the context of Government's decision to reduce incremental SLR requirements from 38.5 per cent to 30.0 per cent during the current year.

The market borrowing programme for the current year began on June 3, 1992 with the auction of 5-year dated securities for a gross amount of Rs. 1,000.0 crore; the net amount stood at Rs. 439.8 crore, after accounting for repayments of Rs. 560.2 crore.

Coupon Rates on Central Government Loans

The coupon rates on Central Government loans were changed twice during 1991-92 basically to make Government securities more attractive for investors considering the economic conditions and the prevalent interest rate structure in the country. In the first instance, coupon rates were raised by 0.25 percentage point of 5-year, 10-year and 15-year maturities to 10.75 per cent, 11.00 per cent and 11.50 per cent, respectively. The coupon rate on 20-year maturity was raised by 0.50 percentage point to 12.00 per cent. The coupon rate on 15-year loan was again raised by 1 percentage point from 11.50 per cent to 12.50 per cent on March 25, 1992.

Reserve Bank Support to Central Loans

The Reserve Bank's initial subscription to the Central Government loans during 1991-92 at Rs. 4,822.0 crore (54.1 per cent of the gross market borrowings) was substantially higher than Rs. 4,432.0 crore (49.3 per cent of the gross market borrowings) during the previous year. During 1991-92, the Reserve Bank's holdings of Central Government dated securities increased by Rs. 4,705.0 crore as compared with an increase of Rs. 3,481.0 crore during 1990-91.

Market Borrowings by Public Sector Undertakings

In addition to the Central Government's own market borrowings, a number of Central public sector undertakings have also been permitted to raise resources through the issue of bonds/ debentures in the domestic market and external commercial borrowings/suppliers' credit abroad for financing their developmental programmes. These public sector undertakings have budgeted to raise Rs. 6,058.0 crore through issue of bonds and debentures in the domestic market and Rs. 5,922.0 crore through external commercial borrowings as compared with Rs. 5,722.0 crore and Rs. 1,854.0 crore, respectively, raised in 1991-92.

In addition to market borrowings, the Centre mobilised resources through small savings instruments. Data on collections from some small savings instruments are presented below:

(Rs. crores)

Sr. No.	Name of Savings Instrument	Outstandings (end-March)	
		1991	1992
1.	Indira Vikas Patras	8,709	9,418
2.	Kisan Vikas Patras	9,514	12,563
3.	Post Office Monthly Income Scheme	2,340	2,713
4.	National Savings Scheme 1987	4,592	6,501
5.	National Savings Certs. VIII	3,135	4,696

The Union Budget for 1992-93 has proposed to raise the interest rates payable under the small savings schemes. Besides the above, tax concessions under section 80L of the Income-tax Act have also been extended to interest on National Savings Certificates (VIII Issue) from the assessment year 1992-93.

Market Borrowings of Local Authorities and Institutions sponsored by Central and State Governments

The net market borrowings during 1991-92 by local authorities and institutions sponsored by Central and State Governments were higher by Rs. 259.9 crore from Rs. 3,526.8 crore in 1990-91 to Rs. 3,786.7 crore in 1991-92. The net market borrowings of the institutions sponsored by the Central Government at Rs. 2,688.0 crore were higher by Rs. 259.4 crore (10.7 per cent) from Rs. 2,428.6 crore in the previous year. The net market borrowings of the institutions sponsored by State Governments decreased by Rs. 9.2 crore from Rs. 1,074.0 crore in 1990-91 to Rs. 1,064.8

crore in 1991-92. The net market borrowings of local authorities increased from Rs. 24.2 crore in 1990-91 to Rs. 33.9 crore in 1991-92 (Table - VIII-33).

91-day Treasury Bills

Data on 91-day treasury bills showed that the outstanding amount as at end-March 1992 represented a growth of Rs. 5,196.0 crore (74.7 per cent) during 1991-92 to Rs. 12,149.3 crore. These are budgeted to rise further by Rs. 4,872.0 crore (40.1 per cent) to Rs. 17,021.3 crore by end-March 1993.

182-day Treasury Bills

The 182-day treasury bills were introduced in November 1986 to provide short term investment opportunities to financial institutions and others. These bills are periodically offered for sale on auction basis by the Reserve Bank of India. Prior to July 1988, the auctions were held every month but since then fortnightly auctions are being held synchronising with the reporting Fridays of scheduled commercial banks. These bills cannot be rediscounted with the Reserve Bank of India. During 1990-91 and 1991-92, 26 auctions were held, with the bid amount aggregating Rs. 4,336.4 crore and Rs. 13,694.3 crore,respectively. Of this, the amount accepted was Rs. 3,425.4 crore and Rs. 7,275.0 crore with the bid price (accepted) in the range of 95.20 to 95.26 and 95.20 to 95.80 per cent in 1990-91 and 1991-92, respectively. The outstanding amount under 182-day treasury bills increased from Rs. 1,077.6 crore at end-March 1991 to Rs. 3,077.6 crore at end-March 1992 but is budgeted to decrease to 3,577.6 crore by end-March 1993.

Special Floating and Other Loans

Special floating and other loans represent mainly the contributions of the Government of India towards the capital of the international financial institutions, viz., International Monetary Fund, International Bank for Reconstruction and Development, International Development Association, African Development Fund/Bank and Asian Development Bank. These loans rose by Rs. 1,839.0 crore (28.0 per cent) during 1991-92 from Rs. 6,566.2 crore at end-March 1991 to Rs. 8,405.2 crore at end-March 1992. These are estimated to rise by Rs. 7,548.9 crore (89.8 per cent) to Rs. 15,954.1 crore by end-March 1993.

Special Securities issued to Reserve Bank of India

Special securities issued to Reserve Bank, mainly against ad-hoc treasury bills declined marginally from Rs. 67,101.4 crore at end-March 1991 to Rs. 67,046.4 crore at end-March 1992 and is budgeted to remain at Rs. 67,046.4 crore at end-March 1993. Special securities against conversion of ad-hoc treasury bills and other special securities would be Rs. 66,000** and Rs. 1,046.4 crore at end-March 1993 as in 1991-92.

Other Liabilities

The other liabilities comprising small savings, provident funds, other accounts, reserve funds and deposits increased by Rs. 18,386.5 crore (14.2 per cent) from Rs. 1,29,189.8 crore at end-March 1991 to Rs. 1,47,575.5 crore at end-March 1992.

The increase of Rs. 18,386.5 crore during 1991-92 was mainly accounted for by small savings (Rs. 5,520.0 crore), provident funds (Rs. 2,250.0 crore) and other accounts (Rs. 7,915.5 crore). The other liabilities, according to the Union Budget for 1992-93 are estimated to rise by Rs. 20,179.1 crore (13.7 per cent) during 1992-93 to Rs. 1,67,754.6 crore by end-March 1993. The increase would be accounted for mainly by small savings (Rs. 6,170.0 crore), provident funds (Rs. 2,500.0 crore) and other accounts (Rs. 9,057.9 crore). The sharp rise in other accounts is mainly due to special deposits of non-Government provident funds, etc. which increased by Rs. 6,850.0 crore during 1991-92 and are budgeted to increase by Rs. 8,000.0 crore during 1992-93. The share of other liabilities in aggregate liabilities rose from 41.0 per cent at end-March 1991 to 41.8 per cent by end-March 1992. Other liabilities as a proportion of GDP at current market prices decreased from 24.4 per cent in 1990-91 from 23.8 per cent in 1991-92.

** This figure does not include the subsequent conversion of Rs. 5000.0 crore of ad-hoc Treasury Bills into special securities (as per RBI records).

* Refer to Statement No. 105, Debt Position of States, and Statement No. 106, State-wise Composition of Outstanding Debt in Vol. II of the Report.

Table VIII : 33 Net Market Borrowings of Local Authorities and Institutions sponsored by the Central and State Governments

(Rs. crores)

Institutions	1990-91	1991-92
Local Authorities		
1. Municipal Corporations	24.17	33.90
Institutions Sponsored by the Central Government	**2428.63**	**2688.00**
1. Industrial Development Bank of India	1070.00	1177.00
2. Industrial Credit & Investment Corporation of India	350.00	385.00
3. Industrial Finance Corporation of India	400.00	440.00
4. Exim Bank	64.00	70.00
5. Industrial Reconstruction Bank of India	65.00	72.00
6. National Bank for Agriculture and Rural Development	89.63	99.00
7. Rural Electrification Corporation	49.00	53.00
8. Housing & Urban Development Corporation	70.00	77.00
9. National Co-op. Development Corporation	66.00	70.00
10. Damodar Valley Corporation	50.00	50.00
11. Shipping Credit & Investment Company of India Ltd.	35.00	38.00
12. Delhi Co-op. Housing Society Ltd.	20.00	22.00
13. National Housing Bank	80.00	88.00
14. Power Finance Corporation	20.00	22.00
15. Tourism Finance Corporation of India	—	25.00
Institutions Sponsored by State Governments	**1073.98**	**1064.83**
1. State Electricity Boards	556.21	581.49
2. State Financial Corporations	343.60	363.00
3. Industrial Investment Corporations & Industrial Development Corporations	20.87	23.30
4. Land Development Banks	13.42	2.00
5. Housing Boards	11.95	14.17
6. Other Institutions	127.93	80.87
Grand Total :	**3526.78**	**3786.73**

B. State Governments*

The outstanding liabilities of State Governments during 1991-92 increased by Rs. 16,069 crore (14.9 per cent) to Rs. 1,24,272 crore at end-March 1992 as compared with a rise of Rs. 15,903 crore (17.2 per cent) during 1990-91. During 1992-93, the outstanding liabilities are estimated to increase further by Rs. 19,047 crore (15.3 per cent) to Rs. 1,43,319 crore by end-March 1993. Of this increase of Rs. 19,047 crore, loans and advances from the Centre would account for Rs. 12,068 crore, internal debt for Rs. 3,544 crore, and provident funds and other funds, etc., for Rs. 3,438 crore.

Loans and Advances from the Centre

The outstanding loans and advances from the Central Government (consisting of loans for Plan and non-Plan schemes including loans against small savings collections and Ways and Means Advances from the Centre) increased by Rs. 9,710 crore (13.4 per cent) during 1991-92 to Rs. 83,562 crore at end-March 1992 from Rs. 73,852 crore at end-March 1991. During 1990-91, the loans and advances from the Centre to the States registered an increase of Rs. 9,949 crore (15.6 per cent); these are budgeted to rise by Rs. 12,068 crore (14.4 per cent) during 1992-93 to Rs. 95,630 crore by end-March 1993.

The outstanding loans and advances from the Centre formed 67.2 per cent of the total debt liabilities of the States at end-March 1992; they are estimated at 66.7 per cent at end-March 1993.

Internal Debt

The internal debt of the States increased by Rs. 3,324 crore from Rs. 18,591 crore at end-March 1991 to Rs. 21,915 crore at end-March 1992. It is estimated to rise further by Rs. 3,544 crore during 1992-93 to Rs. 25,459 crore by end-March 1993. The share of internal debt in the total debt showed a marginal increase from 17.6 per cent at end-March 1991 to 17.8 per cent at end-March 1992 and remained constant at 17.8 per cent at end-March 1993. The major components of internal debt are market loans and bonds, and loans from banks and other institutions.

Market Loans and Bonds

The outstanding market loans and bonds of the State Governments (comprising market loans and compensation and other bonds) increased by Rs. 3,295 crore (21.3 per cent) during 1991-92 to Rs. 18,780 crore at end-March 1992 as compared with a rise of Rs. 2,565 crore (19.9 per cent) during 1990-91. These are budgeted to rise by Rs. 5,277 crore (17.4 per cent) during 1992-93 to Rs. 22,057 crore by end-March 1993.

Loans from Banks and other Institutions

The outstanding loans from banks and other institutions comprise loans and cash credit from State Bank of India and other commercial banks and loans from National Rural Credit Fund of the National Bank for Agriculture and Rural Development, National Co-operative Development Corporation and Life Insurance Corporation of India. The outstandings of these loans, at Rs. 2,822 crore at end-March 1992 increased by Rs. 281 crore (11.1 per cent) during 1991-92; these loans are budgeted to rise by Rs. 194 crore (6.9 per cent) to Rs. 3,016 crore at end-March 1993.

Provident Funds and Other Funds

The outstandings under Provident Funds and Other Funds comprising State Provident Funds, Insurance and Pension Funds, Trusts and Endowments, etc., increased by Rs. 3,036 crore (19.3 per cent) during 1991-92 to Rs. 18,796 crore at end-March 1992 as compared with an increase of Rs. 3,106 crore (24.5 per cent) during 1990-91. These are estimated to rise by Rs. 3,438 crore (18.3 per cent) during 1992-93 to Rs. 22,234 crore at end-March 1993. The share of Provident Funds and Other Funds in the total debt rose from 14.6 per cent at end-March 1991 to 15.1 per cent by end-March 1992 and is estimated at 15.5 per cent by end-March 1993.

Market Borrowings of State Governments 1991-92*

The market borrowings programme for the State Governments was conducted in three tranches during 1991-92, mobilising a gross amount of Rs. 3,364 crore. As there were no maturing loans in 1991-92, the net market borrowings also amounted to Rs. 3,364 crore higher by Rs. 795 crore (30.9 per cent) as compared with Rs. 2,569 crore in 1990-91.

In the first tranche, twenty four States entered the market with a notified amount of Rs. 1,200.0 crore on cash basis. In the second tranche, twenty four States raised Rs. 1,160.0 crore on cash basis. In the third tranche, thirteen States entered the market with a notified amount of Rs. 978.5 crore, on cash basis. These loans were issued at par with a maturity period of 20 years and a coupon rate of 12.00 per cent.

The monthly gross redemption yield during 1991-92 increased from 8.65 per cent in 1990-91 to 10.30 per cent in 1991-92. (Reference: Statement No. 75, Volume —II of the Report).

Market Borrowings of State Governments 1992-93*

In the current financial year, twenty four States entered the market in July 20, 1992, with a notified amount of Rs. 1200.0 crore on a cash basis. These loans were issued at par with a maturity period of 15 years and carrying a coupon rate of 13.00 per cent.

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* Figures are actuals and are compiled from RBI records.

Small Savings

Small savings collections during 1991-92 amounted to Rs. 6,876.0 crore as compared with Rs. 8,247.0 crore during the previous year and the outstanding amount increased from Rs. 50,765.0 crore at end-March 1991 to Rs. 53,519.2 crore at end-March 1992.@ During 1991-92 the following changes were made in the schemes with a view to stepping up the small savings collections.

1) The rates of interest on 1-year, 2-year, 3-year and 5-year Post Office Time Deposit accounts (POTD) were raised from 9.5 per cent, 10.0 per cent, 11.0 per cent and 11.5 per cent to 10.7 percent, 11.0 per cent, 13.0 per cent and 13.5 per cent, respectively, from October 1, 1991.

2) The rate of interest on 1 year and 2 year (POTD) have been further raised from 10.0 per cent and 11.0 per cent, respectively, to 12.0 per cent from December 16, 1991.

3) The Maturity value of 5 year Post Office Recurring Deposit account opened on or after October 1, 1991 has been raised. Thus, for a denomination of Rs. 10, the maturity value is Rs. 856.40 as against Rs. 811.10 payable earlier.

4) The Maturity Value of 5 1/2 year Kisan Vikas Patras sold from December 16, 1991, has been raised. Thus, for a denomination of Rs. 1,000, the Maturity Value is Rs. 2,100 as against Rs. 2,000 payable earlier. The amounts payable on Kisan Vikas Patras sold from December 16, 1991 on premature encashment after 2 1/2 years have also been raised.

The small savings collections comprise deposits and certificates. The amount outstanding in respect of deposits increased by Rs. 755.0 crore from Rs. 14,681.0 crore at end-March 1991 to Rs. 15,436.0 crore at end-March 1992. The largest increase was recorded by the National Savings Scheme, 1987 the outstanding under which rose by Rs. 1,909.0 crore from Rs. 4,592.0 crore at end-March 1991 to Rs. 6,501.0 crore at end-March 1992. The outstanding under post office savings bank deposits and recurring deposits increased from Rs. 4,205.0 crore and Rs. 2,638.0 crore at end-March 1991 to Rs. 4,508.0 crore and Rs. 3,055.0 crore, respectively at end-March 1992. However, the amounts under the Post Office 5-year time deposits showed a continuous decline and were placed at Rs. 2,824.0 crore at end-March 1992 as compared with Rs. 2,973.0 crore at end-March 1991.

The amount of small savings mobilised through sales of various certificates at Rs. 7,526.0 crore during 1991-92 were on the lower side as compared with that of Rs. 8,247.0 crore during the previous year; the outstanding amount rose from Rs. 33,387.0 crore at end-March 1991 to Rs. 35,181.0 crore at end-March 1992. The amount mobilised by Kisan Vikas Patra was Rs. 4,052.0 crore during 1991-92 as compared with Rs. 4,136.0 crore in the previous year while that by Indira Vikas Patra amounted to Rs. 1,789.0@ crore as against Rs. 2,469.0 crore in 1990-91. The amount mobilised under the National Savings Certificates VIII Issue (NSC-VIII) rose from Rs. 3,135.0 crore in 1991-92 to Rs. 4, 696 crore in 1992-93. However, the outstandings under the NSC-VI and NSC-VII issues declined from Rs. 11,137.0 crore and Rs. 737.0 crore at end-March 1991 to Rs. 9,263.0@ crore and Rs. 524.0@ crore, respectively at end-March 1992.

@ Figures are provisional.

* Figures are actuals and are compiled from RBI records.

CHAPTER IX

Capital Market

Overview

The new issue market registered significant improvement during the financial year 1991 - 92 both in terms of number and volume of capital issues, in contrast to the considerable slow-down during 1990 - 91. According to provisional data, the new capital issues by the non-government public limited companies during the year at Rs.5,751.8 crore (517 issues) showed an increase of 36.0 per cent over those of Rs.4,230.2 crore (363 issues) in the previous year. In respect of resources raised through public sector bonds, the year under review was marked by a decline of 19.0 per cent at Rs.4,427.8 crore over the previous year's level of Rs.5,463.2 crore.

The secondary market witnessed unprecedented upsurge in share prices and large scale increase in activities during the year under review. A sharp rise was witnessed in the share prices following the presentation of the Union Budget for 1991-92 in July 1991. The RBI All-India (Weekly) Index Numbers of Ordinary Share Prices (Base : 1980-81 = 100) moved up from 527.9 during the week ended March 30, 1991 to 779.9 during week ended September 28, 1991. During the quarter October - December 1991 the share prices moved in narrow range. There was a cautious recovery in January and February, 1992. The presentation of the Union Budget on February 29, 1992 led to an unprecedented buoyancy in the stock markets and the RBI Index for the year 1991-92 closed at 1,485.4 (week-ended March 28, 1992), recording in the process a substantial gain of 181.4 per cent on a point-to-point basis, during the year, as compared with the increase of 32.0 per cent during 1990-91. Subsequently, it was found out that a number of irregularities committed by commercial banks, financial institutions and stock market brokers in securities transactions led to sharp rise in share prices. The very finding about the existence of the irregularities and the subsequent actions had cooled the market substantially in the months since April 1992.

The sanctions and disbursements by the All-Financial Institutions (i.e. All India Financial Institutions and State-level Financial Institutions) during 1991-92 at Rs.24,026.1 crore and Rs.16,229.3 crore, respectively, recorded a rise of 23.7 per cent and 34.7 per cent, respectively over those in 1990-91. During 1990-91, sanctions and disbursements had risen by 28.2 per cent and 25.5 per cent, respectively, as compared to those in 1989-90.

During 1991-92 a number of policy announcements were made regarding the functioning of the capital market. The Securities and Exchange Board of India (SEBI) was accorded statutory status as an autonomous body on January 31, 1992 through promulgation of a Presidential Ordinance. The Government of India issued a comprehensive set of prudential guidelines in February 1992 for the development and regulation of mutual funds (MFs) and for ensuring investor protection. The Union Budget for 1992-93 contained several policy announcements having a bearing on the capital market, many of which were subsequently pursued. A number of changes were also effected in the terms and conditions for sanction of loans by the financial institutions.

Policy Developments

Some of the major policy developments during the year under review as also the subsequent developments are mentioned here in brief.

1. A Presidential Ordinance promulgated on January 31, 1992 accorded statutory status as an autonomous body to Securities and Exchange Board of India (SEBI) to protect investors' interest in securities, to promote the development of the capital market and to regulate the working of the market including the stock exchanges. Subsequently, the SEBI Bill was passed by the Parliament giving official recognition effective April 4, 1992 to the organisation as a surveillance body. It may be recalled that the Narasimham Committee, while recommending that the regulatory functions of the Office of the Controller of Capital Issues (CCI) should be transferred to SEBI, perceived the role of SEBI not merely as

one of replacing the restrictive role of CCI but as one of undertaking the role of a market regulator operating on the basis of well laid down principles and guidelines. The Committee was of the view that SEBI should not get involved in the day- to-day functioning of the market or exercise excessive discretionary control of the type practised by the CCI.

SEBI has been vested with wide-ranging powers, Firstly, to oversee constitution as well as the operations of mutual funds including presentation of accounts, following the decision to allow the entry of private sector and joint sector mutual funds. Secondly, all stock exchanges in the country have been brought under the annual inspection regime of SEBI for ensuring orderly growth of stock markets and investors protection. Thirdly, with the repealing of the Capital Issues Control Act, 1947 in May 1992, SEBI has been made the regulatory authority in regard to new issues of companies.

SEBI has issued a series of guidelines covering different aspects of its jurisdiction and responsibility which, in their totality, would have a significant bearing on the future development of the capital market. SEBI's guidelines cover: (i) Lead managers/merchant bankers concerned with prospectus issues and portfolio management, (ii) Mutual funds and each of their constituents, namely, sponsors, trustees, Asset Management Companies (AMCs) and custodian, including the formation of the AMCs, (iii) Stock exchanges including stringent regulations to curb the practice of insider trading, and (iv) Compliance by issuers of capital and intermediaries with norms regarding proper disclosure and investors' protection which *inter alia* cover promoters' contribution, pricing of issues, credit rating of debt instruments, monitoring of issue proceeds of large issues and stipulations regarding underwriting and minimum subscription.

2. The Government of India issued a comprehensive set of prudential guidelines in February 1992 for the development and regulation of Mutual Funds (MFs) and for ensuring investor protection. These guidelines cover activities of all the MFs including those to be set up in the joint and private sectors. Money Market Mutual Funds would be, however, regulated by the RBI on the basis of specified guidelines to be laid down by it. The Government guidelines provide for authorisation of all the MFs by the SEBI, establishment of MFs in the form of trusts under the Indian Trusts Act, 1882 and establishment of AMCs by the MFs. The guidelines also stipulate the minimum amount to be raised through open-ended and close-ended schemes, as well as the criteria for investment in securities/companies and income distribution. SEBI will have the right to call for any information regarding the operations of the MFs and any of its schemes from the MFs, AMCs, custodians, sponsors or any other associated with the MFs.

3. In the Union Budget for 1992-93, several announcements were made in respect of policies relating to capital market. Some of these were later reoriented to suit the economic circumstances. The announcements thus modified, and other policy developments are set out in the following paragraphs.

(a) It was proposed that reputed foreign investors such as pension funds, would be allowed to invest in capital market with suitable mechanisms to ensure that these investments do not threaten loss of management control. The Government has since evolved guidelines for such investments. The major highlights of these guidelines are:

i) Foreign institutional investors (FIIs) such as pension funds, mutual funds, investment trusts, asset management companies, nominee companies and incorporated/ institutional portfolio managers would be allowed unrestricted entry in terms of volume of invesments in the primary and secondary markets.

ii) FIIs would be required to obtain initial registration from SEBI before making any investment. Nominee companies, affiliates and subsidiaries would be treated separately. FIIs also have to seek RBI's permission under FERA.

iii) Dividend and interest incomes would be taxed at a flat concessional rate of 20 per

cent while capital gains tax is to be levied at 10 per cent on long-term investments.

iv) Portfolio investments by all registered FIIs would be restricted to a ceiling of 24 per cent of the issued share capital in any company. Holding of a single FII would be subject to a 5 per cent ceiling.

(b) In order to enable domestic companies to tap the large pool of equity funds available in the world capital markets, the Government has decided to give permission to such companies with good track record to issue convertible debentures or equity to investors abroad. These issues would get the same tax benefits as are available for off-shore mutual funds. One company entered the international capital market during May,1992 with sizeable issue.

(c) All mutual funds registered with SEBI (Public, Private or Joint sector) would be exempt from payment of income-tax.

4. The mandatory convertibility clause in respect of loans by financial institutions for new and expansion projects was removed in August 1991. In respect of loans sanctioned before August 1991, financial institutions could waive the convertibility stipulation if the borrowing units agreed to pay the prevailing higher rates of interest.

5. With effect from August 16, 1991, interest rates on financial assistance provided by term lending institutions were made flexible with a floor rate of 15 per cent per annum. These institutions are thus free to charge higher interest rates on their loans taking into account factors such as credit worthiness of the borrowing unit.

6. The norms fixed for promoters' contribution for purposes of eligibility for getting loans from financial institutions were changed; the minimum contribution of promoters in their projects was hiked to 25 per cent with certain relaxation for large projects and projects promoted by first generation entrepreneurs.

7. In view of the high cost of capital, the debt equity norm for financial institutions was tightened; the ratio was fixed at 1.5 : 1, (as against 2 : 1 earlier), which could be relaxed to 2 : 1 only for large projects.

8. The structured system of consortium financing by the term-lending institutions was discarded and replaced by a more flexible system of loan syndication.

9. It was announced in the Union Budget 1992-93, that the practice of appropriating large amounts from the profits of the Reserve Bank for allocation to the agricultural, industrial and housing funds before transferring the surplus to the Government would be discontinued. Consequently, these funds will not get augmented as before. Hence eligible financial institutions which used to rely on these funds will have to increasingly rely on the capital market for their resources.

10. A new financial instrument 'Stock-Invest' was introduced to enable the investors to use it as application money for new capital issues. The money invested in a public issue through this instrument will remain in the investors' account under lien of his banker, but would continue to earn interest and only when shares/debentures are alloted to the investors, the issuing company will be able to encash the instrument.

Over the Counter (OTC) Exchange of India

OTC Exchange of India, (OTCEI) promoted jointly by the ICICI, UTI, SBI Capital Markets Ltd., Canbank Financial Services Ltd., GIC and LIC, has been recognised as a stock exchange under the Securities Contracts (Regulation) Act, 1956 with effect from August 23, 1989. The Exchange has been incorporated as a company under Section 25 of the Indian Companies Act 1956, on September 20, 1990. The OTCEI has been set up with a view to providing small and medium companies an access to capital market for raising finance in a cost-effective manner, and provide convenient and efficient avenue of capital market investment for investors at large. The OTC exchange is a ringless, electronic and national exchange listing entirely new set of companies of small size. Companies with issued capital from Rs.30 lakhs upto Rs.25 crore can be listed at the exchange. The listed companies' shares would be made available to public investors only after commercial operations of companies are

commissioned. Guidelines have been provided by OTCEI for listing of companies and for admission of members and dealers. A company which is listed on any other recognised stock exchange in India would not simultaneously be eligible for listing on the OTC exchange. Each scrip listed on the exchange will have to have atleast two market makers who will continuously give two-way quotations.

A Committee consisting of 4 members and 4 dealers will look after the rules and regulations of the OTC exchange. The necessary regulatory framework and trading mechanism have already been set up. The first public issue of the exchange was made in July 1992.Trading commenced in September 1992.

Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India (SEBI) was established on April 12,1988 and was given statutory recognition with the promulgation of the Securities and Exchange Board of India Ordinance on January 31,1992 and the Board was statutorily set up on February 21,1992. The Ordinance was replaced by the SEBI Act from April 4,1992 . Among other things, the Board has been mandated to create an environment which would facilitate mobilisation of adequate resources through the securities market and its efficient allocation. The purpose and aims of SEBI are:

a) Regulating the activities of stock exchanges and other securities market;

b) Registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers, mutual funds and such other intermediaries associated with securities markets in any form;

c) Banning insider trading in securities;

d) Restricting the transactions pertaining to acquisition of shares and takeover of companies;

e) Performing such functions and exercising such powers under the provisions of the Capital Issues (Control) Act, 1947 and Securities Contracts (Regulation) Act 1956, as may be delegated to it by the Central Government.

During the year 1991-92, SEBI has issued letters of authority to 20 merchant bankers which took the total merchant bankers authorised to 99. Out of it, the share of public sector stood at 40.

SEBI started receiving offer documents for capital issues commencing from May 1, 1991. SEBI during the year, received 510 offer documents consisting of 281 prospectus issues and 229 relating to letters of offer.

The Board inspected 9 stock exchanges with the basic objective of improving their functioning. In respect of takeover activities, during the year, SEBI examined and cleared offer documents for 10 cases of negotiated takeover. It may be mentioned that 9 cases were on pure cash offer basis and the remaining one was a mix of cash and exchange of shares. Under the exemption granted to it in terms of provisions of Clause 40A & B(b), the Board granted exemption in 3 cases. As part of its inspection of mutual funds activities, SEBI completed the first set of inspections of Can Bank Mutual Fund, State Bank of India Mutual Fund, Bank of India Mutual Fund, Indbank Mutual Fund and Punjab National Bank Mutual Fund during 1991-92. Deficiencies observed were pointed out to these institutions and were advised to follow-up the directions strictly.

Guidelines for disclosure and Investor Protection

In order to ensure proper disclosure and investor protection, SEBI has issued certain guidelines for due observance by companies issuing capital in June 1992. Subsequently, a series of clarifications on some of the points were issued by SEBI. The major highlights of the SEBI guidelines relate *inter alia* to the following @:

a) imposition of certain restrictions on private placement of promoters' quota;

@ The detailed guidelines have been published in RBI Bulletin, July 1992.

b) a host of measures for safeguarding investors' interest in Fully Convertible Debentures (FCDs), Partially Convertible Debentures (PCDs) and Non-Convertible Debentures (NCDs);
c) disallowance of retention of oversubscription;
d) underwriting being made mandatory for the portion relating to public offer;
e) freeing of interest rate for debentures;
f) restrictions on bonus shares issues; and
g) reservation upto a maximum of 10 per cent of the proposed total issue of capital by a company for participation by Indian Mutual Funds on a competitive basis.

Primary Capital Market

1. Approvals by Controller of Capital Issues for raising capital

Approvals (consents/acknowledgements) granted by the Controller of Capital Issues (CCI) to Government and non-Government companies for raising capital by way of shares and debentures/ bonds (including premium but excluding bonus shares) aggregated Rs.19,029.9 crore during the financial year 1991-92, recording a rise of Rs.6,839.4 crore or 56.1 per cent over those in the previous year (Rs.12,190.5 crore). The bulk of the increase during 1991-92 was accounted for by the non-Government companies.

(i) Approvals to non-Government Companies

During 1991-92, approvals to non-Government companies for raising capital by way of shares and debentures at Rs.11,988.9 crore registered a substantial increase of 95.8 per cent over those in the previous year (Table IX-1). Instrument-wise, approvals for debentures at Rs.8049.9 crore went up by 125.5 per cent over those in the previous year. While approvals for convertible debentures issues at Rs.5,858.2 crore recorded a rise of 126.4 per cent, those for non-convertible debentures at Rs.2,191.7 crore registered an increase of 123.1 per cent. Approvals for equity and preference shares aggregated Rs.3,939.0 crore, recording a rise of 54.3 per cent over those during 1990-91. Consequently, the share of debentures in the total approvals went up to 67.1 per cent in 1991-92 from 58.3 per cent in 1990-91 and that of equity and preference shares moved down to 32.9 per cent from 41.7 per cent.

Table IX - 1: Consents/Acknowledgements of Proposals granted by the Controller of Capital Issues to Non-Government Public and Private Limited Companies.

(Rs. crore)

Year (April-March)	Equity and Preference Shares	Debentures		Total (Col.3 + Col.4)	Sub Total (Col.2 + Col.5)	Bonus Shares	Grand Total (Col.6 + Col.7)
		Convertible	Non-convertible				
1	2	3	4	5	6	7	8
1987-88	1,440.0	377.0	346.0	723.0	2,163.0	296.0	2,459.0
	(66.6)	(17.4)	(16.0)	(33.4)	(100.0)		
1988-89	1,487.0	3,134.0	311.0	3,445.0	4,932.0	196.0	5,128.0
	(30.2)	(63.5)	(6.3)	(69.8)	(100.0)		
1989-90	1,688.0	5,325.7	553.3	5,879.0	7,567.0	352.0	7,919.0
	(22.3)	(70.4)	(7.3)	(77.7)	(100.0)		
1990-91	2,552.2	2,588.1	982.2	3,570.3	6,122.5	300.7	6,423.2
	(41.7)	(42.3)	(16.0)	(58.3)	(100.0)		
1991-92	3,939.0	5,858.2	2,191.7	8,049.9	11,988.9	352.5	12,341.4
	(32.9)	(48.8)	(18.3)	(67.1)	(100.0)		

Note : 1. The preference shares constitute negligible portion.
2. Equity shares include premium allowed to be raised Rs. 408.0 crore in 1987-88,Rs.112.3 crore in 1988-89, Rs.212.9 crore in 1989-90,Rs. 273.9 crore in 1990-91 and Rs.401.6 crore in 1991-92.
3. Figures in brackets in Column 2,3,4 and 5 indicate percentage to total in Column 6.

Source : Controller of Capital Issues, Government of India.

(ii) Approvals to Government Companies

Approvals to Government companies for raising capital by way of shares and debentures/bonds during 1991-92 amounted to Rs.7,041.0 crore, registering a rise of 16.0 per cent over those during 1990-91 (Rs.6,068.0 crore). Bulk of the approvals during 1991-92, as in earlier years, was in respect of issue of bonds by the Public Sector Units (PSUs). The details in respect of approvals granted to Government companies by the CCI since 1985-86 are set out below :

Approvals granted by CCI to Government Companies for raising capital

(Rs. crore)

Year (April-March)	Shares	Bonds/ Debentures	Total
1985-86	-	354.0	354.0
1986-87	3.0	1,791.0	1,794.0
1987-88	101.0	3,014.0	3,115.0
1988-89	-	3,140.0	3,140.0
1989-90	61.0	4,074.0	4,135.0
1990-91	61.0*	6,007.0	6,068.0
1991-92	56.0	6,985.0	7,041.0

* Include Rs.0.19 crore premium amount

Source : Controller of Capital Issues, Government of India

2) New Issue Market

The new issue market showed significant improvement during 1991-92 (April-March) both in terms of number and volume of capital issues, in contrast to the considerable slow-down witnessed during 1990-91. According to the data compiled by the Reserve Bank of India, the new capital issues by the non-Government public limited companies during 1991-92, aggregated Rs.5,751.8 crore through 517 issues, showing an increase of 36.0 per cent over the capital issues of Rs.4,230.2 crore through 363 issues during the previous year (Table IX-2). In contrast, during 1990-91, the volume of capital issues had gone down by 34.6 per cent as compared with that in 1989-90. Despite a significant increase in the volume of capital issues during 1991-92, the total amount was still less than the record level of capital issues of Rs.6,473.1 crore reached during 1989-90 by 11.2 per cent. Security-wise details of capital issues indicate that the increase in capital issues during 1991-92 was mainly due to increase in the issues of convertible debentures and equity shares. However, issues of non-convertible debentures and preference shares registered declines.

Table IX-2 : New Capital Issues by Non-Government Public Limited Companies*

(Rs. crore)

Year (April-March)	Equity shares		Preference shares		Debentures				Total (CD+NCD)		Grand Total	
					Convertible		Non-Convertible					
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No.of Issues	Amount	No. of Issues (Cols. 2+4+10)	Amount (Cols. 3+5+11)
1	2	3	4	5	6	7	8	9	10	11	12	13
1987-88	174	1,103.0	5	6.8	38	528.8	8	138.5	46	667.3	225	1,777.1
	(31)	(440.0)									(31)	(440.0)
1988-89**	256	1,032.2	6	3.3	48	1,747.5	31	389.4	79	2,136.9	341	3,172.4
	(47)	(110.1)									(47)	(110.1)
1989-90**	268	1,218.8	4	7.9	109	4,762.2	27	484.2	136	5,246.4	408	6,473.1
	(57)	(272.0)									(57)	(272.0)
1990-91**	246	1,285.7	3	13.1	94	2,355.2	20	576.2	114	2,931.4	363	4,230.2
	(41)	(128.1)									(41)	(128.1)
1991-92**	368	1,730.5	3	1.5	133	3,489.2	13	530.6	146	4,019.8	517	5,751.8
	(56)	(227.5)									(56)	(227.5)
April-June												
1991**	62	181.1	-	-	25	349.7	2	29.9	27	379.6	89	560.7
	(7)	(16.0)									(7)	(16.0)
1992**	157	1848.6	-	-	38	1494.4	2	998.9	40	2,493.3	197	4,341.9
	(20)	(802.1)									(20)	(802.1)

*Exclude bonus shares **Provisional CD:Convertible Debentures NCD:Non-Convertible Debentures

Note : 1) Figures in brackets indicate data in respect of premium on capital issues which are included in respective totals.
2) Non-Convertible Debentures include Secured Premium Notes.

Source : Prospectus/Letters of Offer/Circulars/Advertisements issued by companies; replies given by the companies to the Reserve Bank's questionnaires; information received from Stock Exchanges, press reports,etc.

During 1991-92, equity issues at Rs.1,730.5 crore (through 368 issues) was 34.6 per cent higher than those of Rs.1,285.7 crore (through 246 issues) during 1990-91. Preference share issues amounted only to Rs.1.5 crore through 3 issues during 1991-92 against Rs.13.1 crore through 3 issues in 1990-91. Total amount in respect of debenture issues at Rs.4,019.8 crore, recorded a rise of 37.1 per cent; while issues of convertible debentures went up by 48.1 per cent, those of non-convertible debentures fell by 7.9 per cent.

Issue-wise, capital issue through rights during 1991-92 aggregated Rs.3,848.1 crore through 307 issues, recording a significant rise of 76.1 per cent over those in the previous year.However, issues through prospectus at Rs.1,903.7 crore through 210 issues registered a decline of 6.9 per cent (Table IX-3). Accordingly, the share of issues by way of rights in total capital issues rose to 66.9 per cent in 1991-92 from 51.7 per cent in 1990-91, while the share of issues through prospectus declined to 33.1 per cent from 48.3 per cent. The bulk of non-convertible debentures (97.8 per cent) and a major portion of convertible debentures (75.7 per cent) during 1991-92 were floated through rights issues. However, prospectus issues were popular for equity issues and accounted for more than 60 per cent of total equity issues.

The number of issues by new companies (i.e., companies which have made public issues for the first time since their incorportion as public limited companies under the Companies Act, 1956 which may or may not have commenced commercial production/business) during 1991-92 increased by 21 to 99 while that of the existing companies went up by 133 to 418. The amount of issues by the new companies during 1991-92 at Rs.893.9 crore, rose by 20.0 per cent and by the existing companies at Rs.4,857.9 crore, showed a larger increase of 39.4 per cent over that during 1990-91.

During the first quarter of the financial year 1992-93 (i.e., April-June 1992), the new issue market witnessed a very sharp increase in activities. The volume of capital issues aggregated Rs.4,341.9 crore through 197 issues, thus indicating an increase of more than six and a half time over that of Rs.560.7 crore through 89 issues during the first quarter of 1991-92. The substantial increase in the first quarter of 1992-93 was due to floating of 7 large mega issues by four companies aggregating about Rs.3,066 crore and was effected through increase in both equity and debenture issues. Equity share issues at Rs.1,848.6 crore showed more than nine-fold rise; convertible debenture issues at Rs.1,494.4 crore grew by more than three-fold and non-convertible debenture issues went up to the level of Rs.998.9 crore from a meagre Rs.29.9 crore during 1990-91. The total amounts in respect of non-convertible debentures were floated through only two issues i.e. , one large issue of non-convertible debenture by Mangalore Refinery and Petro-Chemicals Ltd., and one issue of Secured Premium Note (SPN) by Tata Iron and Steel Company Ltd.

3) Public Sector Bonds

According to latest available data (provisional) Public Sector Undertakings (PSUs) raised Rs.4,624.8 crore (through 20 bond issues by 9 PSUs) during the financial year 1991-92. The bonds were entirely privately placed with banks (Rs.2,562.6 crore) and financial institutions (Rs.2,062.2 crore).

The tax-free PSU bonds with a fixed interest rate of 9 per cent at Rs.2,268.6 crore constituted 49.1 per cent. Of the total amount of bond issues 12.1 per cent of the bonds were issued at an interest rate of 13 per cent, 28.8 per cent at 17 per cent rate of interest and the rest 10.0 per cent at 18 per cent rate of interest. It may be mentioned that the ceiling on interest rate on taxable PSU bonds was removed with effect from August 1991 and thereafter some of the PSUs floated bonds at 17/18 per cent interest rate.

The data in respect of capital raised by the PSUs through the issue of PSU bonds since 1985-86 are given in (Table IX-3 A).

Table IX-3: Capital Issues through Prospectus and Rights by Non-Government Public Limited Companies*

(Rs. crore)

Item	1989-90** (April-March)	1990-91** (April-March)	1991-92** (April-March)	1991** (April-June)	1992** (April-June)
1	2	3	4	5	6
I. Issues through Prospectus					
No. of Issues	**190**	**152**	**210**	**36**	**97**
	(17)	(15)	(56)	(2)	(4)
Amount (a+b+c)	**3,140.2**	**2,044.7**	**1,903.7**	**282.3**	**1,977.6**
	(30.0)	(73.9)	(26.7)	(3.7)	(4.0)
a) Equity shares	734.1	993.8	1,043.1	106.5	759.4
	(30.0)	(73.9)	(26.7)	(3.7)	(4.0)
b) Preference shares	5.4	13.0	0.5	-	-
c) Debentures (i + ii)	2,400.7	1,037.9	860.1	175.8	1,218.2
Of which:					
i) Convertible	2,240.4	874.7	848.4	175.8	658.2
ii) Non-Convertible	160.3	163.2	11.7	-	5,600
II. Issues through Rights					
No. of Issues	**218**	**211**	**307**	**53**	**100**
	(40)	(26)	(40)	(5)	(16)
Amount (a+b+c)	**3,332.9**	**2,185.5**	**3,848.1**	**278.4**	**2,364.3**
	(242.0)	(54.2)	(200.8)	(12.3)	(798.1)
a) Equity shares	484.7	291.9	687.4	74.6	1,089.2
	(242.0)	(54.2)	(200.8)	(12.3)	(798.1)
b) Preference shares	2.5	0.1	1.0	-	-
c) Debentures (i+ii)	2,845.7	1,893.5	3,159.7	203.8	1,275.1
Of which :					
i) Convertible	2,521.8	1,480.5	2,640.8	173.9	836.2
ii) Non - Convertible	323.9	413.0	518.9	29.9	438.9
III. Grand Total (I +II)					
No. of Issues	**408**	**363**	**517**	**89**	**197**
Amount	**6,473.1**	**4,230.2**	**5,571.8**	**560.7**	**4,341.9**
	(272.0)	**(128.1)**	**(227.5)**	**(16.0)**	**(802.1)**
Distribution between					
No. of Issues by New Companies	105	78	99	22	44
Amount	666.6	744.7	893.9	108.1	1,743.0
No. of Issues by Existing Companies	303	285	418	67	153
Amount	5,806.5	3,485.5	4,857.9	452.6	2,598.9
	(272.0)	(128.1)	(227.5)	(16.0)	(802.1)

* Exclude bonus shares ** Provisional

Note : 1) Figures in brackets indicate data in respect of premium on capital issues which are included in respective totals.
2) Non-Convertible Debentures include Secured Premium Notes.

Source : Prospectus/Letters of Offer/Circulars/Advertisements issued by companies; replies given by the companies to the Reserve Bank's questionnaires; information received from Stock Exchanges, Press reports, etc.

Table IX-3A : Issue of Bonds by Public Sector Undertakings

(Rs. crore)

Year : (April-March)	Tax Free Bonds	Taxable Bonds	Total (2+3)
1	2	3	4
1985-86	—	353.7	353.7
1986-87	898.1	776.1	1,674.2
1987-88	1737.3	946.9	2,684.2
1988-89	2,080.0	417.7	2,497.7
1989-90	2,597.0	1,132.0	3,729.0
1990-91	2,345.0	3,118.2	5,463.2
1991-92	2,268.6	2,356.2	4,624.8

Source : Returns received from the respective Public Sector Undertakings.

Secondary Capital Market

Industrial Securities Market

During the financial year 1991-92, stock markets witnessed unprecedented upsurge in share prices and large scale increase in activities. Reflecting this, the RBI All-India (Weekly) Index Numbers of Ordinary Share Prices (Base : 1980-81=100) rose on an average basis by 55.1 per cent during 1991-92 as compared with an increase of 39.2 per cent during 1990-91 (Table IX-4). On a point-to-point basis, the index moved up from 527.9 for the week ended March 30, 1991 to a level of 1485.4 for the week ended March 28, 1992, showing a phenomenal net gain of 181.4 per cent.

A brief review of the trends in share prices during the financial year 1991-92 is given in the following paragraphs.

a) Quarter-wise and Month-wise trends during 1991-92@

During the first quarter of the financial year 1991-92 (i.e., April-June 1991) the stock markets maintained the tempo of cautious recovery noticed during February and March 1991 from the subdued conditions that prevailed in the preceding period beginning mid-October 1990. The market was in fact driven by an undercurrent of optimism. Reflecting this, the RBI Index had risen from 527.9 for the week ended March 30, 1991 to 568.6 for

@ For detailed discussion on the development of the month-wise/quarter-wise trend of equity prices during the financial year 1991-92, please see RBI Monthly Bulletins-September 1991, December 1991, March 1992 and June 1992.

Table IX-4 :RBI All India Index Numbers of Ordinary Share Prices and Yield thereon

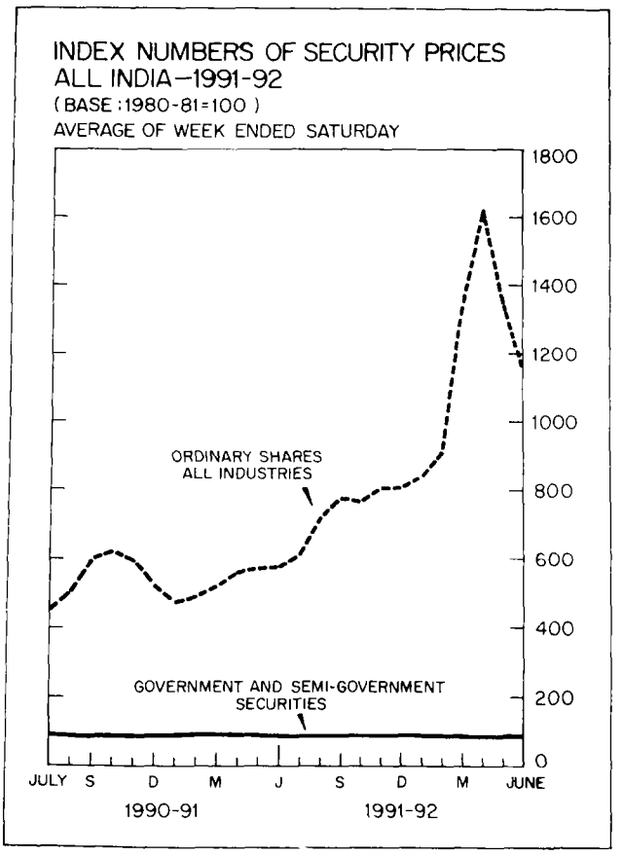
(Base : 1980-81=100)

Year (April-March)	End of the Year (last week ended Saturday)	Highest	Lowest	Annual average of weekly index	Average Gross Yield (per cent per annum)
1	2	3	4	5	6
1986-87	219.3	248.6	209.5	230.7 (+4.1)	3.64
1987-88	189.3	227.1	189.3	207.3 (-10.1)	4.32
1988-89	308.2	308.2	187.1	247.5 (+19.4)	3.76
1989-90	400.0	411.4	317.7	359.4 (+45.2)	3.18
1990-91	527.9	654.2	395.6	500.3 (+39.2)	2.59
1991-92	1485.4	1485.4	536.9	776.2 (+55.1)	2.09
1991-92 (April-June)	568.6	579.6	536.9	563.9	
1992-93 (April-June)	1157.5	1656.9	1148.9	1373.4	

Note : Figures in brackets are percentage variations over the year.

the week ended June 29, 1991 showing a net gain of 7.7 per cent (Table IX-5). The month-wise trend during the first quarter revealed that during April 1991, the average index increased by 4.4 per cent. During the months of May and June 1991, the average index registered a net gain of 1.6 per cent and 1.3 per cent, respectively. Market sentiments, however, turned bullish during the second quarter, i.e., July-September 1991, induced by series of far-reaching policy announcements. The Industrial Policy Statement, 1991 and Budget for 1991-92 introduced in July 1991 represented the major policy initiatives. As a result, the index moved up from 568.6 during the week ended June 29, 1991 to 779.9 during the week ended September 28, 1991, showing a net gain of 37.2 per cent.

Month-wise, the average index showed increases of 6.4 per cent in July 1991, 17.7 per cent in August 1991 and 7.9 per cent in September 1991. During the third quarter, October-December 1991, stock markets exhibited mixed trend, with the undertone, however, remaining firm. After exhibiting sluggishness in October 1991, the markets became firm in November 1991. During the month of December, however, they remained subdued, though the sentiments continued to be optimistic. From 779.9 for the week ended September 28, 1991, the index moved up to 808.7 at end-December 1991, recording a net gain of 3.7 per cent. As regards the net gain exhibited in the average index of share prices, there was a decline of 1.4 per cent in October 1991 but witnessed firm trend in November by an increase of 5.3 per cent and in December 1991 by an increase of 0.5 per cent. During the last quarter of 1991-92 i.e., January-March 1992, share markets were unprecedently buoyant particularly during February and March, 1992. The index of share prices was 808.7 during the week ended December 28, 1991 and shot up to 1485.4 during the week ended March 28, 1992 indicating a net gain of 83.7 per cent over the period. The month-wise average index of share prices indicated that the net gains for January 1992 was 4.4 per cent which rose to 17.8 per cent in February 1992 and further to 35.0 per cent in March 1992. This was attributed to the liberalisation measures announced by the Government to attract foreign investments coupled with decontrol on steel prices, as also the proposals* announced in the Union Budget 1992-93. The irregularities in the securities transactions of banks and financial institutions also added to speculative pressures on the stock markets.



b) Industry-wise trend during 1991-92

The industry-wise analysis as reflected by the RBI Index indicated that except for the share prices of aluminium (97.3 per cent) and automobile and auto-ancillaries (99.3 per cent), all the major industry groups registered net gains of more than 100 per cent during the financial year 1991-92 (Table IX-6). Shipping industry group recorded the highest gain with a phenomenal increase of 580.5

* Some of the important proposals in the Budget contributing to this buoyant fervour were : abolition of wealth tax on financial assets, enlarging the scope of provision relating to exemption of income from specified mutual funds, including those in the private and joint sectors, consideration to permit foreign investors (pension funds) to invest in Indian capital market, proposal to do away with Government control over capital issues including premium fixation, and permission for Indian companies to issue equity/convertible debentures to investors abroad with the same tax treatment as available for off-shore mutual funds.

Table IX-5 : Reserve Bank of India Index Numbers of Ordinary Share Prices (Year : April-March)

(Base : 1980-81 =100)

Month	1989-90				1990-91				1991-92				1992-93			
	Monthly Average	High	Low	Last week-end of the month	Monthly Average	High	Low	Last week-end of the month	Monthly Average	High	Low	Last week_ end of the month	Monthly Average	High	Low	Last week end of the month
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
April	335.7	355.7	317.7	355.7	399.9	405.7	395.6	401.6	554.9	568.0	536.9	568.0	1,620.2	1,656.9	1,597.3	1,622.0
	(+11.1)			(+15.4)	(+5.8)			(+0.4)	(+4.4)			(+7.6)	(+21.2)			(+9.2)
May	342.9	348.6	338.6	338.6	409.4	413.5	402.7	413.5	563.8	570.2	558.9	570.2	1,345.5	1,519.3	1,206.8	1,206.8
	(+2.1			(-4.8)	(+2.4)			(+3.0)	(+1.6)			(+0.4)	(-17.0)			(-25.6)
June	340.5	347.5	332.7	347.5	414.9	420.0	408.9	419.3	571.3	579.6	563.8	568.6	1,161.6	1,174.3	1,148.9	1,157.5
	(-0.7)			(+2.6)	(+1.3)			(+1.4)	(+1.3)			(-0.3)	(-13.7)			(-4.1)
July	350.8	356.9	343.7	343.7	450.9	481.4	430.4	481.4	607.8	644.3	569.3	644.3				
	(+3.0)			(-1.1)	(+8.7)			(+14.8)	(+6.4)			(+13.3)				
August	336.5	339.4	333.9	334.6	506.3	527.5	488.6	527.5	715.1	752.2	693.4	752.2				
	(-4.1)			(-2.6)	(+12.3)			(+9.6)	(+17.7)			(+16.7)				
September	350.0	353.6	343.9	353.6	599.1	643.0	555.9	643.0	771.8	792.3	751.8	779.9				
	(+4.0)			(+5.7)	(+18.3)			(+21.9)	(+7.9)			(+8.7)				
October	358.4	363.4	355.0	363.4	617.3	654.2	587.4	587.4	761.2	781.3	750.9	756.7				
	(+2.4)			(+2.8)	(+3.0)			(-8.6)	(-1.4)			(-3.0)				
November	362.8	366.6	359.7	361.8	588.1	608.7	567.3	567.3	801.3	821.4	781.8	813.4				
	(+1.2)			(-0.4)	(-4.7)			(-3.4)	(+5.3)			(+7.5)				
December	383.7	396.3	359.9	396.3	518.3	552.1	490.7	490.7	805.4	821.0	788.5	808.7				
	(+5.8)			(+9.5)	(-11.9)			(-13.5)	(+0.5)			(-0.6)				
January	400.6	411.4	387.1	387.1	468.6	471.5	463.6	463.6	840.7	868.8	822.1	868.8				
	(+4.4)			(-2.3)	(-9.6)			(-5.5)	(+4.4)			(+7.4)				
February	372.5	377.8	368.0	372.6	483.3	510.8	462.7	510.8	990.3	1095.3	923.3	1095.3				
	(-7.0)			(-3.7)	(+3.1)			(+10.2)	(+17.8)			(+26.1)				
March	378.1	400.0	367.1	400.0	531.3	536.2	527.9	527.9	1337.3	1485.4	1271.5	1485.4				
	(+1.5)			(+7.4)	(+9.9)			(+3.3)	(+35.0)			(+35.6)				
April-March*	359.4	411.4	317.7	400.0	500.3	654.2	395.6	527.9	776.2	1485.4	536.9	1485.4				
	(+45.2)			(+29.0)	(+39.2)			(+32.0)	(+55.1)			(+181.4)				

* Based on weekly averages

Note : Figures in brackets are percentage variations over the previous month/year.

Source : Compiled in the Department of Economic Analysis & Policy, Reserve Bank of India.

Table IX-6: RBI All India Index Numbers of Ordinary Share Prices (Industry-wise)

(Base :1980 - 81 =100)

Sr No.	Industries	March 28,1987	March 26,1988	March 25,1989	March 31,1990	March 30,1991	March 28,1992
1	2	3	4	5	6	7	8
1.	All Industries	219.3	189.3	308.2	400.0	527.9	1,485.4
		(-8.4)	(-13.7)	(+62.8)	(+29.8)	(+32.0)	(+181.4)
2.	Tea Plantations	462.7	458.6	658.7	1,068.8	1,423.5	3,633.9
		(+20.6)	(-0.9)	(+43.6)	(+62.3)	(+33.2)	(+155.3)
3.	Cotton Textiles	115.8	86.8	106.1	160.0	296.4	764.9
		(-15.3)	(-25.0)	(+22.2)	(+50.8)	(+85.3)	(+158.1)
4.	Silk, Woollen and Rayon Textiles	84.3	88.9	185.1	325.9	436.7	1,150.0
		(-4.2)	(+5.5)	(+108.2)	(+76.1)	(+34.0)	(+163.3)
5.	Aluminium	303.1	252.3	852.7	1,204.4	1,574.3	3,106.5
		(+15.9)	(-16.8)	(+237.4)	(+41.2)	(+30.7)	(+97.3)
6.	Automobiles and Auto-ancillaries	236.4	212.2	379.7	493.6	580.0	1,156.2
		(-18.7)	(-10.2)	(+78.9)	(+30.0)	(+17.5)	(+99.3)
7.	Electricals and Electronic Machinery	132.8	128.3	189.1	229.4	256.6	711.7
		(-16.3)	(-3.4)	(+47.4)	(+21.3)	(+11.9)	(+177.4)
8.	Chemical Fertilisers	323.6	226.6	340.4	433.9	512.2	1,385.1
		(-24.5)	(-30.0)	(+50.2)	(+27.5)	(+10.0)	(+170.4)
9.	Man-made Fibres	180.4	139.7	236.7	264.8	211.7	471.3
		(-32.5)	(-22.6)	(+69.4)	(+11.9)	(-20.1)	(+122.6)
10.	Cement	183.0	138.7	188.6	208.7	738.8	3,281.5
		(-15.9)	(-24.5)	(+36.0)	(+10.7)	(+254.0)	(+344.2)
11.	Rubber and Rubber Products	271.8	347.6	573.0	424.0	506.2	1,867.3
		(+32.4)	(+27.9)	(+64.8)	(-26.0)	(+19.4)	(+268.9)
12.	Paper and Paper Products	118.3	76.6	141.3	256.9	435.8	1,169.3
		(-15.3)	(-35.2)	(+84.5)	(+81.8)	(+69.6)	(+168.3)
13.	Electricity Generation and Supply	181.2	173.7	251.3	305.6	894.8	2,318.7
		(-16.5)	(-4.1)	(+44.7)	(+53.4)	(+132.1)	(+159.1)
14.	Shipping	45.2	46.5	121.3	233.6	179.6	1,222.2
		(-39.1)	(+2.9)	(+160.9)	(+92.6)	(-23.1)	(+580.5)

Note : Figures in brackets are percentage variations over the last week-end of the previous financial year.

per cent over the year, followed by cement (344.2 per cent), rubber and rubber products (268.9 per cent) and chemical fertilisers (170.4 per cent).

c) Share prices trend during 1992-93@

The financial year 1992-93 began with a buoyant note, continuing the unprecedented upsurge in share prices witnessed, particularly, during February and March 1992. Reflecting this, the RBI Index peaked to an all-time high of 1656.9 for the week ended April 4, 1992. However, such a high level of share prices was facilitated largely because of many irregularities in securities dealings, and financing of share transactions, which when detected, could not be sustained. Consequently, a correction to the speculative fervour occurred in May and June, 1992 resulting in a fall in the RBI (average) Index to 1,345.5 and 1,161.6, respectively, as against the average of 1,620.2 in April 1992. Even the average index

@ Upto June 1992.

for the quarter April-June 1992 at 1,373.4 was 143.6 per cent higher than that in the corresponding quarter of the previous year (563.9) and 30.7 per cent higher than the average index for the quarter January-March 1992 (1051.0).

The industry-wise analysis indicates that all industry groups during the quarter April-June 1992 experienced net decline in share prices. The rubber and rubber products group registered a maximum decline of 44.0 per cent, followed by cement (43.9 per cent), shipping (38.9 per cent), man-made fibres (33.1 per cent), electrical and electronic machinery (28.7 per cent) and cotton textiles (27.8 per cent) as against the decline of 22.1 per cent by all industries.

OPEN MARKET OPERATIONS

The fiscal year 1991-92 recorded an overall increase in the purchase and sales of Central Government Securities under the Reserve Bank's Open Market Operations. While the increase in sale of Central Government Securities more than trebled in 1991-92, that of purchases registered nominal increase.

The increase in the purchases of Central Government securities was of the order of Rs.3,244.8 crore (41.6 per cent) and that in sales was by Rs.7,327.1 crore (227.4 per cent). Consequently, the year 1991-92 ended with a substantial amount of net sales of Rs.4,082.3 crore as against net purchases ***albeit*** a meagre of Rs.53.1 crore in the previous year. If transactions effected out of surplus funds of IDBI, NABARD and Other institutions are taken into account, the picture emerging out would be: a net sales of Rs.4,043.9 crore in 1991-92 in contrast to net purchases of Rs.431.8 crore in 1990-91 (Table 6 A).

In a bid to reduce the overall deficit, the market borrowing programme of the Central Government underwent significant changes. First, the net borrowings of the Centre were placed lower at Rs.7,501 crore during 1991-92 as compared to Rs.8,001 crore in 1990-91. Secondly, the coupon rates on Central loan were revised upwards rather significantly during 1991-92 basically to make Government securities more attractive for investment considering the economic conditions and the prevailing interest rate structure in the country. The

Table - 6 A Reserve Banks Open Market Operation In Central Government

(Rs. crore)

Year	Purchases	Sales	Net Sales
1	2	3	4
1987-88	2,609.5	3,540.0	930.5
	(9,989.7)	(10,836.4)	(848.7)
1988-89	2,403.5	3,888.7	1,485.2
	(12,373.1)	(12,236.6)	(136.5)
1989-90	3,551.8	4,739.0	1,187.2
	(14,157.0)	(15,631.2)	(1,344.1)
1990-91	2,291.2	2,238.1	-53.1
	(14,157.0)	(13,725.2)	(-431.8)
1991-92	3,244.8	7,327.1	4,082.3
	(5,321.7)	(9,365.6)	(4,043.9)
April - June			
1991-92	182.8	1,144.9	962.1
	(995.0)	(1,966.8)	(971.8)

Notes : 1. The Reserve Bank has phased out the buy-back arrangements in Government of India dated securities (see Section on 'Open Market Operations'). Hence for the quarter of 1992-93 no figures are shown in brackets. For other Years figures in brackets are inclusive of purchases/sales effected from time to time out of the surplus fund of IDBI, Exim Bank, NABARD and other institutions under special arrangement.

maximum maturity has been shortened from 30 years to 15 years. The large-scale net sales witnessed during 1991-92 is one such testimony of activising the securities market.

The above trend witnessed during the year 1991-92 continued into the first quarter of 1992-93 (April-June) also. Sales of Central Government securities amounted to Rs.6,984.9 crore which was more than twice that of the purchases amounting to Rs.2,791.3 crore. As a result, this quarter also ended with net sales of Rs.4,193.6 crore which have more than quadrupled the net sales of Rs.962.1 crore recorded in the comparable quarter of 1991-92. This follows the further activisation of the market for Government securities undertaken by the Authorities in early 1992-93, such as, raising of Government securities rate to 13 per cent in 1992-93 as compared to a level of 6.5 per cent five years ago. With a view to developing the Treasury bill market further and providing financial instruments with varying short-term maturities to cater to the needs of different investors, Treasury bills of 364-day maturity are being issued on a fortnightly auction basis since April 1992. In furtherance of the objective of developing dated securities of the Government of India as strong monetary instruments with flexible yields to suit investor expectations, Government of India offered to sell dated securities of 5-year, 6-year and 10-year maturities for an amount of Rs.1,000 crore each, as also 10-year security for an equal amount for the first time by auctions. The rate of 12.0 per cent for 5-year security and 12.75 per cent for 10-year security settled at their respective first auctions as against the 13 per cent for 15-year (11.17 – 11.42 per cent for 364-day Treasury bill) is an indication for a clear market preference for short-term securities.

Buy-Back Arrangement

In pursurance of the decision of the Reserve Bank of India to phase out the buy-back arrangements in Government of India dated securities, at present no institution enjoys this facility except the Registrar General of the Supreme Court for the limited purpose of investing the funds held by him on behalf of victims of Bhopal Gas Tragedy. As on March 31, 1992, such securities held by the Registrar General were valued at Rs.932.94 crore; relative amount held as on March 31, 1991, was Rs.916.24 crore.

State Loans - Commercial Banks

As a matter of practice, the Reserve Bank does not make any initial subscription to State loans. However, the Bank used to purchase Central Government securities from a few commercial banks to provide them liquidity for making subscriptions to State loans. This used to be a temporary facility wherein such securities would after a while be sold back to the commercial banks. There were no outstandings against this account both in the year ended March 31, 1991 as well as March 31, 1992. The buy-back facility was not extended to banks after the first tranche of the State Government loan floated on July 8, 1992.

Gilt-edged Market

The gilt-edged market in recent years has established a stable trend. Since 1991-92 there have been significant changes in the Indian policy to rectify the market inefficacies (which had developed as a result of the high fiscal deficit and large pre-emption). As mentioned earlier, with a view to developing an active market for Government securities, the gilt-edged market is being organised in such a way that the Government reduces its dependence on credit from the Reserve Bank and the banks.

The gilt-edged market by and large displayed a steady trend during 1991-92 with prices fluctuating within a narrow band. The price index of Central Government securities, State Government securities and semi-Government securities rose by 0.2 percentage point, 0.4 percentage point and 0.7 percentage point respectively. The coupon rates of newly issued Central Government securities also rose by 0.5 to 1.0 per cent during the year under review.

The movements in the all-India index numbers of Government and semi-Government securities prices (Base :1980-81=100) during 1991-92 were limited to a short range of 88.7 and 89.0. Over the year, the index recorded a rise of 0.2 percentage point, as compared to a fall of 0.7 percentage point in the previous year.

The price index of Central Government securities fluctuated within a range of 86.4 and 86.9 and closed at 86.7 registering a marginal rise of 0.2 percentage point over the year as compared to a decline of 0.9 percentage point in the previous year.

The index number of State Government securities which fluctuated within a narrow range of 97.8 and 98.2 during 1991-92, closed at 98.2 at end-March 1992, recording a rise of 0.4 percentage point over the year as compared to a rise of 0.1 percentage point over the previous year.

The index of semi-Government securities which fluctuated within a range of 98.2 and 98.9 recording arise of 0.7 percentage point during year 1991-92 had remained static during the previous year.

In Bombay, among 5 Central Government securities experiencing price variations during 1991-92, the prices of two securities registered declines of Rs.4.75 and Rs.6.80, with consequent improvement in yields of 0.68 and 0.96 percentage points. Prices of the remaining three securities recorded increases ranging between Rs.1.40 and Rs.26.50 with consequent decrease in yields, ranging between 0.19 per cent and 2.92 per cent (Table 6 B).

Prices of securities floated by a few State Governments, such as, Maharashtra, Andhra Pradesh, Gujarat, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal showed some changes. A few loans of Maharashtra State Government displayed a mixed trend. Loans of above-mentioned States showed increases ranging between Re.0.50 and Rs.5.50, whereas some loans recorded decreases ranging between Rs.2.00 and Rs.4.00.

During the first quarter of 1992-93 (April-June) 1992, the all-India price index of Government and semi-Government securities remained steady. However, price index of Central Government securities showed a marginal variation between 86.7 and 86.8 and closed at 86.7 at end-June 1992, recording no change over the quarter. The price index of State Government securities moved between 98.2 and 97.8 and closed at 98.1 at end-June 1992, recording a fall of 0.1 percentage point over the quarter, while that of semi-Government securities fluctuated between 98.2 and 98.9 and closed at 98.9 registering no change over the quarter. In Bombay, prices of all Central Government securities remained stable throughout the quarter. Prices of all the securities of State Governments remained stable except for one security of West Bengal which decreased by Re.1.00.

Table IX-6 B : PRICE AND YEILD VARIATIONS OF CENTRAL GOVERNMENT SECURITIES IN BOMBAY*

Loans	Price as on (Rs)			Variation (Rs)		Yeild as on (Percent)			Variation in Yeild (in percentage point)	
	27.3.91	31.3.92	28.6.92	Col.3 over Col.2	Col.4 over Col.3	27.3.91	31.3.92	28.6.92	Col.8 over Col.7	Col.9 over Col.8
1	2	3	4	5	6	7	8	9	10	11
11.50 per cent loan 2007	100.25	95.50	95.50	-4.75	-	11.47	12.15	12.15	+0.68	-
11.50 -do- 2009	100.00	101.40	101.40	+1.40	-	11.50	11.31	11.31	-0.19	-
11.50 -do- 2010	100.00	93.20	93.20	-6.80	-	11.50	12.46	12.46	+0.96	-
8.00 -do- 2011	66.00	92.50	92.50	+26.50	-	11.74	8.82	8.82	-2.92	-
9.00 -do- 2013	77.50	94.00	94.00	+16.50	-	11.32	9.67	9.67	-1.65	-

* Only those securities which have recorded price variation over the year have been included in this statement.
$ Issue price.

Operations of All Financial Institutions@

Financial assistance sanctioned by All Financial Institutions (net of inter-institutional flows) during 1991-92 (April-March) at Rs.24,026.1 crore recorded a rise of 23.7 per cent over those in the preceding year (Rs.19,421.7 crore) (Table IX-7). Disbursements by these institutions also registered a rise of 34.7 per cent to Rs.16,229.3 crore in 1991-92 from Rs.12,050.7 crore last year. During 1990-91, while sanctions of these institutions had posted a higher increase of 28.2 per cent, disbursements increased by a lower order of 25.5 per cent.

Institution-wise operations show that the financial assistance sanctioned and disbursed by the Development Banks during 1991-92 at Rs.18,053.4 crore and Rs.11,693.6 crore, respectively, increased by 11.6 per cent and 19.6 per cent, respectively, over those in the preceding year. On the contrary, during 1990-91, sanctions and disbursements were higher by 23.9 per cent and 29.1 per cent, respectively, over those in the previous year. Investment institutions, however, showed spectacular rise in both sanctions and disbursements during the year. Total sanctions and disbursements by the investment institutions during the year at Rs.6,005.0 crore and Rs.4,174.7 crore, respectively, increased by 95.1 per cent and 93.6 per cent, respectively, as compared with those in the previous year. During 1990-91, their sanctions and disbursements had risen by 47.6 per cent and 25.7 per cent, respectively, over those in 1989-90. The increase in sanctions and disbursements of UTI alone accounted for 39.8 per cent and 32.9 per cent respectively, of the total increase in sanctions and disbursements of all financial institutions during 1991-92. The total sanctions and disbursements by the State-level institutions viz., SFCs and SIDCs together, during 1991-92 at Rs.3,191.7 crore and Rs.2,220.1 crore, respectively, showed a rise of 18.8 per cent each, in sanctions and disbursements over those in the preceding year. During 1990-91, their sanctions and disbursements had risen by 23.1 per cent and 9.8 per cent, respectively, over those in 1989-90.

Aggregate sanctions and disbursements by the All-India Financial Institutions during 1991-92 aggregated Rs.23,008.4 crore and Rs.15,318.3 crore, registering a rise of 22.8 per cent and 34.3 per cent, respectively, over those in the preceding year (Rs.18,740.4 crore–sanctions and Rs.11,409.6 crore–disbursements in 1990-91).

Institution-wise Performance of Development Banks

Institution-wise performance of development banks is discussed below.

i) Industrial Development Bank of India (IDBI)

Assistance sanctioned by Industrial Development Bank of India (IDBI), under various schemes during 1991-92 (April-March) amounted to Rs.7,639.6 crore, recording a rise of 11.9 per cent over those of Rs.6,827.4 crore in 1990-91, whereas disbursements of assistance at Rs.5,762.8 crore indicated a rise of 29.2 per cent over the previous year's level of Rs.4,459.4 crore (Table IX-8). While rupee assistance sanctioned increased by 20 per cent, foreign currency assistance sanctioned declined by 47.9 per cent to Rs.369.4 crore, reflecting in part the impact of difficult balance of payments situation and resulting import compression. Disbursement of foreign currency loans during the year amounted to Rs.417.3 crore, recording a rise of 11.3 per cent. Total assistance outstanding at the end of March 1992 was Rs.24,176.1 crore which was more than 21.0 per cent over last year's level. Cumulative assistance sanctioned and disbursed including guarantees aggregated Rs.56,001.0 crore and Rs.40,419.2 crore, respectively.

Direct finance is mainly meant for financing projects besides through notified schemes like Venture Capital Fund, Technological Upgradation

@ All Financial Institutions comprise of Development Banks viz., Industrial Development Bank of India, Industrial Finance Corporation of India Industrial Credit and Investment Corporation of India Ltd., Small Industries Development Bank of India, Industrial Reconstruction Bank of India, Risk Capital and Technology Finance Corporation Ltd., Technology Development and Information company of India Ltd., Shipping Credit and Investment Company of India Ltd., Tourism Finance Corporation of India Ltd., Investment Institutions viz., Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation of India and its Subsidiaries and State-level Institutions viz., State Financial Corporations and State Industrial Development Corporations.

Table IX - 7: Assistance by All Financial Institutions

(Rs. crore)

Institutions / Year(April-March)		1990-91		1991-92		Percentage change in 1991-92 over 1990-91	
		Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1		2	3	4	5	6	7
A. All India Development Banks (1 to 9)	@	**16,172.2**	**9,778.1**	**18,053.4**	**11,693.6**	**+11.6**	**+19.6**
	@@	**14,165.8**	**8,550.1**	**15,879.4**	**10,384.5**	**+12.1**	**+21.5**
1. IDBI		6,827.4	4,459.4	7,639.6	5,762.8	+11.9	+29.2
	@	6,381.2	4,017.4	7,155.8	5,279.0	+12.1	+31.4
	@@	5,569.7	3,533.2	6,506.2	4,816.4	+16.8	+36.3
2. IFCI		2,965.1	1,574.8	2,869.2	1,605.2	-3.2	+1.9
3. ICICI		3,744.0	1,967.6	4,305.9	2,351.3	+15.0	+19.5
4. SIDBI	@	2,408.8	1,838.5	2,898.1	2,027.4	+20.3	+10.3
	@@	1,213.9	1,094.7	1,373.7	1,180.9	+13.2	+7.9
5. IRBI		234.7	153.9	277.7	185.2	+18.3	+20.3
6. RCTC		10.4	7.3	14.3	7.8	+37.5	+6.8
7. TDICI		11.4	12.4	19.9	18.5	+74.6	+49.2
8. SCICI		331.6	167.0	409.0	170.9	+23.3	+2.3
9. TFCI		85.0	39.2	103.5	48.3	+21.8	+23.2
B. Investment Institutions (10+11+12)		**3,078.2**	**2,156.5**	**6,005.0**	**4,174.7**	**+95.1**	**+93.6**
	@	2,568.2	1,631.5	4,955.0	3,624.7	+92.9	+122.2
10. UTI		2,077.2	1,582.7	3,821.5	2,906.6	+84.5	+83.9
	@	1,567.2	1,057.7	3,182.5	2,410.4	+103.1	+127.9
11. LIC		688.1	427.4	1,515.3	1,022.5	+120.2	+139.2
	@	688.1	427.4	1,115.3	972.5	+62.1	+127.5
12. GIC		312.9	146.4	657.2	241.8	+110.0	+65.2
C. Total Assistance by All-India Financial Institutions (A@+B@)		**18,740.4**	**11,409.6**	**23,008.4**	**15,318.3**	**+22.8**	**+34.3**
D. State-level Institutions (13 and 14)		**2,687.6**	**1,869.1**	**3,191.7**	**2,220.1**	**+18.8**	**+18.8**
13. SFCs		1,863.9	1,270.8	2,178.1	1,540.1	+16.9	+21.2
14. SIDCs		823.7	598.3	1,013.6	680.0	+23.1	+13.7
E. Total Assistance by All Financial Institutions (A@@+B@+D)		**19,421.6**	**12,050.7**	**24,026.1**	**16,229.3**	**+23.7**	**+34.7**

@ Data are adjusted for inter-institutional (all-India) flows

@@ Data are adjusted for inter-institutional (all-India and state level) flows.

Note : 1. Data for 1991-92 are provisional.

2. Data have been adjusted for inter-institutional flows. This involves adjustment in regard to loans to and investments in shares and bonds of financial institutions by IDBI,IDBI/SIDBI's refinance assistance to SFCs and SIDCs and seed capital assistance, term loans given by LIC to IFCI and ICICI, and special deposits by UTI to IDBI, IFCI and ICICI.

3. SIDBI commenced its operations from April 2, 1990 and data of SIDBI exclude short-term bills.

4. Data exclude short term loans by LIC.

Source : Financial Institutions.

Table IX-8: Scheme-wise Assistance Sanctioned and Disbursed by Industrial Development Bank of India

(Rs. crore)

Schemes / Year (April-March)	Sanctions			Disbursements		
	1990-91	1991-92	Cumulative upto end-March 1992 @	1990-91	1991-92	Cumulative upto end-March 1992 @
1	2	3	4	5	6	7
I. Direct Assistance (a to d)	**4,117.7**	**4,995.2**	**24,331.7**	**2,442.4**	**3,650.4**	**16,138.8**
a) Project loans	3,779.7	4,548.4	21,834.4	2,338.0	3,594.4	15,153.5
b) Underwriting and direct subscription	266.5	177.6	1,509.7	48.9	13.2	359.7
c) Guarantees for loans/deferred payments	25.4	206.9	633.2	28.5	3.5	350.9
d) Technical Development Fund	46.1	62.3	354.4	27.0	39.3	274.7
II. Indirect Assistance (e to h)	**2,709.7**	**2,644.4**	**31,645.3**	**2,017.0**	**2,112.4**	**24,256.4**
e) Refinance of industrial loans	871.2	704.9	17,086.7	532.3	523.8	12,704.7
f) Bills finance	1,170.3	1,310.8	11,235.3	857.8	938.9	8,384.1
g) Loans and investments in shares and bonds of financial intermediaries (i to iii)	664.6	626.3	3,229.6	623.6	647.3	3,089.6
i) All-India	447.0	487.0	2,056.4	443.4	485.9	2,029.7
ii) State-level institutions	88.1	52.8	777.7	84.1	56.6	688.0
iii) Leasing companies	129.5	86.5	395.5	96.1	104.8	371.9
h) Seed capital assistance	3.6	2.4	93.7	3.3	2.4	78.0
Sub Total (I + II)	**6,827.4**	**7,639.6**	**55,977.0**	**4,459.4**	**5,762.8**	**40,395.2**
III. Other Guarantees	**-**	**-**	**24.0**	**-**	**-**	**24.0**
Grand Total (I + II + III)	**6,827.4**	**7,639.6**	**56,001.0**	**4,459.4**	**5,762.8**	**40,419.2**

@ Includes assistance to small sector upto March 31,1990.

Source : Industrial Development Bank of India.

and Equipment Leasing, etc. During the year, the aforesaid form of assistance rose to Rs.4,995.2 crore (an increase of 21.3 per cent) from Rs.4,117.7 crore in the last year. Of the total sanctions under the direct finance schemes, a sum of Rs.177.6 crore was extended by way of underwriting/direct subscriptions to equities/debentures. Disbursements of direct assistance also registered an increase of 49.5 per cent from Rs.2,442.4 crore to Rs.3,650.4 crore in 1991-92. Sanctions of indirect assistance, the major share of which was by way of bills finance, declined by 2.4 per cent from Rs.2,709.7 crore in 1990-91 to Rs.2,644.4 crore in 1991-92 and disbursements rose by 4.7 per cent from Rs.2,017.0 crore to Rs.2,112.4 crore in 1991-92.

With a view to widening its range of services, during the year, IDBI entered the field of equipment leasing to offer machinery and equipment on lease for a period ranging from 3 to 8 years depending on several factors like rate of depreciation, technological obsolescence and economic life. IDBI sanctioned Rs.79.1 crore to 21 companies under the scheme.

During 1991-92, 20 projects were provided assistance of Rs.10.5 crore under the Venture Capital Fund Scheme. Disbursements during the year amounted to Rs.9.2 crore. Cumulatively, Venture Capital Assistance sanctioned aggregated Rs.40.5 crore at the end of March 1992 to 60 projects and disbursements aggregated Rs.29.4 crore. Assistance of Rs.51 crore was sanctioned

to 12 projects under the technology upgradation scheme and disbursements aggregated Rs.42.1 crore. Cumulative assistance sanctioned and disbursed upto the end of March 1992 aggregated Rs.181.5 crore (56 projects) and Rs.106.2 crore, respectively.

The Energy Conservation Scheme of IDBI was modified during the year with a view to save energy. The ceiling on assistance fixed at Rs.5 crore or 5 per cent of gross fixed assets was removed during the year. Assistance sanctioned under Equipment Finance for Energy Conservation Scheme (EFECS) aggregated Rs.30.5 crore to five projects and under the Energy Audit Subsidy (EAS) scheme, Rs.4.9 lakh to 12 companies.

The United States of America has consented for a grant of US $ 20 million for Energy Management Consultation and Training (EMCAT) project over a period of six year upto end March 1997. IDBI is the implementing agency for the end-use component of US $ 6 million under the project. In July 1991, Government of India entered into an agreement with the World Bank for a line of credit of US $ 155.6 million comprising IDA credit of SDRs 23.4 million (equivalent to US $ 31.6 million) and IBRD loan of US $ 124 million to boost the efforts of the Government aimed at controlling, monitoring and abatement of industrial pollution in the country. A part of this will be lent by the Government to IDBI for financing pollution control projects. A sum equivalent to US $ 20.8 million was sanctioned by IDBI to 11 units for setting up pollution control facilities during the current year.

A sum of Rs.20 crore was sanctioned to nine sick units as rehabilitation assistance during the year under review under 'Rehabilitation Assistance'.

IDBI sanctioned resource support to the extent of Rs.626.3 crore to financial intermediaries during the year, including Rs.539.8 crore to SIDBI, IFCI and State-level financial institutions and Rs.86.5 crore to leasing companies.

IDBI raised during the year resources aggregating Rs.1,023.1 crore from market sources which constituted 32.2 per cent of its total borrowings. IDBI made public issue, for the first time, consisting of three types of bonds, viz., Deep Discount Bonds, Double Option Bonds and Regular Return Bonds and collected around Rs.486 crore as against a target of Rs.300 crore. IDBI also resorted for the first time to Certificates of Deposit and mobilised Rs.359.7 crore during the year through the same. Total resources raised during the year under review amounted to Rs.3,235 crore including rupee borrowings of Rs.2,746 crore, foreign currency borrowings of Rs.434.6 crore, and share capital contribution of Rs. 50 crore by the Government.

In view of the pressure on balance of payments, there was an increased dependence on lines of credit for financing imports of capital goods. IDBI obtained three new German lines of credit from: (i) Industriekreditbank Deutsche Industriebank (IKB) for DM 50 million ; (ii) Berliner Hendels und Frankfurter Bank (BHF) for DM 100 million; and (iii) Kreditanstalt fur Wiederaufbau (KfW) for DM 100 million. IDBI also arranged a French line of credit from Credit Commercial de France (CCF) for French Franc 150 million. As at the end of March 1992, an amount of DM 1.1 million was committed under the IKB line, DM 6.3 million under BHF line and DM 15.6 million under the KfW line of Credit.

ii) Industrial Finance Corporation of India (IFCI)

The financial assistance sanctioned by the Industrial Finance Corporation of India (IFCI) under various schemes during 1991-92 (April-March) registered a marginal decline by 3.2 per cent to Rs.2,869.2 crore (for 608 projects) (Table IX-9). However, the disbursements during the year at Rs.1,605.2 crore posted a rise of 1.9 per cent. As against this, sanctions and disbursements had risen substantially by 29.2 per cent and 40.4 per cent, respectively, during 1990-91. With the above mentioned sanctions and disbursement during 1991-92; the cumulative assistance sanctioned and disbursed by the Corporation since its inception aggregated Rs.13,963.3 crore (for 4,167 projects) and Rs.8,650.6 crore, respectively.

The major highlights of assistance during the year under review are : a) assistance sanctioned

Table IX-9 Financial Assistance Sanctioned and Disbursed by IFCI

(Rs. crore)

Type of Assistance/(Year:April-March)	1990-91		1991-92*		Cumulative Assistance* as at the end of March 1992	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Rupee loans	2,030.6	1,198.2	1,991.2	1,162.2	10,043.1	6,642.6
2. Foreign currency loans	629.2	249.8	303.7	315.4	2,242.4	1,379.4
3. Underwriting (i to iii)	113.7	1.1	119.3	10.6	614.6	100.5
i) Equity shares	73.3	1.1	82.0	1.2	496.2	67.8
ii) Preference shares	-	-	-	-	11.7	8.5
iii) Debentures	40.4	-	37.3	9.4	106.7	24.2
4. Direct subscriptions (i to iii)	27.4	14.8	16.3	20.1	130.1	95.2
i) Equity shares	11.7	11.7	2.9	7.8	74.5	62.1
ii) Preference shares	3.0	1.5	0.4	1.5	10.5	3.7
iii) Debentures	12.7	1.6	13.0	10.8	45.1	29.4
5. Guarantees	61.6	50.0	353.2	64.0	558.5	191.4
6. Leasing	102.6	60.8	85.5	32.9	374.6	241.5
Total (1 to 6)	**2,965.1**	**1,574.7**	**2,869.2**	**1,605.2**	**13,963.3**	**8,650.6**

* Provisional

Source : Industrial Finance Corporation of India.

to 285 projects in backward areas totalling Rs.1,397.2 crore, (b) 120 new projects for Rs.1,122.7 crore, (c) 72 projects for modernisation for Rs.166.7 crore and d) 29 co-operative projects for Rs.76.7 crore.

Component-wise, sanctions of rupee loans declined by 1.9 per cent to Rs.1,991.2 crore in 1991-92 from Rs.2,030.6 crore in 1990-91, and disbursements of rupee loans fell by 3.0 per cent to Rs.1,162.2 crore during the current year from Rs.1,198.2 crore in 1990-91. This was in marked contrast to the trend witnessed in 1990-91 when the sanctions and disbursements registered increases of 20.5 per cent and 38.7 per cent respectively, over 1989-90. In case of sanctions of foreign currency loans, as against a significant increase of 82 per cent in 1990-91, during 1991-92, they showed a substantial decline of 51.7 per cent i.e., from Rs.629.2 crore in 1990-91 to Rs.303.7 crore during 1991-92. Disbursements of foreign currency loans at Rs.315.4 crore, however, registered an increase of 26.3 per cent in the year under review over those of Rs.249.8 crore during the previous year. In regard to underwriting, assistance sanctioned went up from Rs.113.7 crore to Rs.119.3 crore and disbursements also rose from Rs.1.1 crore to Rs.10.6 crore in 1991-92. As regards direct subscriptions, while sanctions declined from Rs.27.4 crore in 1990-91 to Rs.16.3 crore in 1991-92, disbursements increased from Rs.14.8 crore in 1990-91 to Rs.20.1 crore during the year under review. Sanctions under guarantees rose to Rs.353.2 crore in 1991-92 from Rs.61.6 crore in 1990-91, while disbursements moved up from Rs.50.0 crore to Rs.64.0 crore. In respect of leasing assistance, sanctions at Rs.85.5 crore declined by 16.7 per cent and disbursements at Rs.32.9 crore declined by 45.9 per cent. During the year under review, in addition to the existing financial services viz., suppliers' credit scheme, equipment leasing scheme, procurement scheme, finance to leasing and hire-purchase concerns, buyers' credit scheme, equipment credit scheme and merchant banking

services, IFCI introduced another financial service viz., "Instalment Credit Scheme" with effect from November 1991. The new scheme would provide alternative option to borrowers availing themselves of the assistance for acquiring equipment for industrial use with a view to giving greater flexibility in regard to payment and simplified interest procedure.

During the financial year 1991-92, Merchant Banking and Allied Services Department (MB &AD) of IFCI handled 117 merchant banking assignments (as against 82 last year) of which 56 related to public issue management, thereby helping clients to raise Rs.597 crore; 41 assignments related to project appraisal for obtaining CCI clearance and 20 debenture trusteeship and assignment related to a scheme of amalgamation and merger. Since inception, upto March 31,1992, MB & AD had handled 365 assignments which included 155 public issue management, enabling clients to mobilise funds to the tune of Rs.1,989 crore. IFCI raised rupee funds to the extent of Rs.440 crore by issue of bonds, bringing the outstanding borrowings as at the end-March 1992 to Rs.3,340.0 crore. IFCI also borrowed funds to the extent of Rs.150 crore each from IDBI and LIC, Rs.200 crore from UTI, Rs. 50 crore from GIC and Rs.15.9 crore from sco-operative banks and others for augmenting its rupee resources.

The foreign currency resources presently available with IFCI comprise lines of credit from Kreditanstalt-fur-Wiederaufbau(KfW), Germany, ADB and Finfund; loans raised in US Dollar and Japanese Yen in international markets, Deutsch Mark Revolving Fund (DMRF) as also export credit lines from BHF, Germany and Credit Suisse, Switzerland. During the year under review, IFCI contracted Export Credit of DM 50 million from Berliner Handels and Frankfurter Bank, Germany and Swiss Francs 10 million from Credit Suisse, Switzerland. The cumulative borrowings in foreign currencies raised from the international capital market stood at US $814 million as at the end of March 1992. Cumulative net sanctions in respect of Euro-Dollar loans and in respect of Japanese Yen loans aggregated US $ 427 million and JY 44,833 million respectively.

iii) Industrial Credit and Investment Corporation of India Limited (ICICI)

The Industrial Credit and Investment Corporation of India Limited (ICICI) registered appreciable increase in sanctions and disbursements during the year ended March 1992. Assistance sanctioned and disbursed at Rs.4,305.9 crore and Rs.2,351.3 crore, respectively, recorded a rise of 15.0 per cent and 19.5 per cent, respectively, over the previous year (Table IX-10). The cumulative assistance sanctioned and disbursed by ICICI as at the end of March 1992 stood at Rs.23,861.3 crore and Rs.14,938.2 crore, respectively.

During 1991-92, sanctions by way of rupee loans by ICICI rose by 26.1 per cent to Rs.1,751.4 crore from Rs.1,388.4 crore in the earlier year. On the contrary, foreign currency loans registered a decline of 19.6 per cent from Rs.1,040.5 crore in 1990-91 to Rs.836.4 crore in the current year. Sanctions by way of underwriting during 1991-92 spurted by 95.3 per cent to Rs.256.1 crore from Rs.131.1 crore in 1990-91, whereas disbursements under this head moved up marginally by 9.0 per cent from Rs.7.9 crore to 8.5 crore. Both sanctions and disbursements by way of direct subscription to shares and debentures during the year showed noticeable decline. While sanctions went down sharply from Rs.124.7 crore in 1990-91 to Rs.44.1 crore in 1991-92, disbursements declined from Rs.105.6 crore in 1990-91 to Rs.71.3 crore in 1991-92. During 1991-92, assistance sanctioned by way of financial services consisting of deferred credit, leasing, instalment sale and asset credit declined from Rs.1,028.4 crore to Rs.977.7 crore. Similarly, disbursements for the above declined from Rs.561.1 crore to Rs.484.1 crore. Assistance sanctioned to backward areas amounted to Rs.1,737.8 crore which was 52.2 per cent of total direct finance as against Rs.1,206.4 crore accounting for 44.4 per cent of the total direct finance during the previous year. Disbursements to backward areas during 1991-92 aggregated Rs.856.4 crore (45.9 per cent of direct loans disbursed) as compared to Rs.631.1 crore (44.9 per cent of direct loans disbursed) last year. Sector-wise, of the total project finance of Rs.3,328.2 crore

Table IX-10: Financial Assistance Sanctioned and Disbursed by ICICI

(Rs. crore)

Type of Assistance (Year:April-March)	1990-91		1991-92*		Cumulative Assistance* as at the end of March 1992	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
I. Direct Finance(1 to 4)	**2,715.6**	**1,406.5**	**3,328.2**	**1,867.2**	**19,710.4**	**12,707.6**
1. Loans	2,428.9	1,289.8	2,587.8	1,787.2	17,456.2	12,167.6
i. Rupee loans	1,388.4	934.0	1,751.4	1,066.1	7,719.2	5,205.3
ii. Foreign currency loans	1,040.5	355.8	836.4	721.1	9,737.0	6,962.3
2. Underwriting (i to iii)	131.1	7.9	256.1	8.5	898.8	140.9
i) Equity shares	56.9	2.4	59.7	1.4	508.3	85.8
ii) Preference shares	-	-	-	0.1	17.4	12.9
iii) Debentures	74.2	5.5	196.4	7.0	373.1	42.2
3. Direct subscriptions (i to iii)	124.7	105.6	44.1	71.3	492.5	388.5
i) Equity shares	19.8	17.4	14.3	16.2	159.6	129.4
ii) Preference shares	6.1	4.0	1.5	3.0	18.8	12.9
iii) Debentures	98.8	84.2	28.3	52.1	314.1	246.2
4. Guarantees	30.9	3.2	440.2	0.2	862.9	10.6
II. Financial Services (i to iv)	**1,028.4**	**561.1**	**977.7**	**484.1**	**4,150.9**	**2,230.6**
i) Deferred credit	513.4	265.2	582.3	184.4	2,449.1	1,261.1
ii) Leasing	172.9	110.6	140.7	78.0	842.0	489.7
iii) Instalment sale	-	4.6	-	1.3	59.9	22.9
iv) Asset credit	342.1	180.7	254.7	220.4	799.9	456.9
Total (I + II)	**3,744.0**	**1,967.6**	**4,305.9**	**2,351.3**	**23,861.3**	**14,938.2**

* Provisional

Source : Industrial Credit and Investment Corporation of India Limited.

sanctioned during the year, private sector accounted for Rs.2,952.1 crore (88.7 per cent) followed by joint sector Rs.313.3 crore (9.4 per cent), co-operative sector Rs.55.4 crore (1.7 per cent) and public sector Rs.7.4 crore (0.2 per cent).

The year under review witnessed an imposing increase in the merchant banking activities of ICICI. The Corporation executed 152 assignments (122 in 1990-91) which helped its clients to mobilise Rs.4,526 crore (including Rs.3,058.0 crore from the capital market). Since its inception in 1973, the Merchant Banking Division has completed 997 assignments and assisted in raising Rs.19,432.0 crore including Rs.13,089.0 crore from the capital market.

During 1991-92, ICICI raised resources aggregating Rs.1,706.0 crore, consisting of Rs.1,325.0 crore in rupees and Rs.381.0 crore in foreign currencies to meet the Corporation's expanding operations.

Out of the total rupee resources of Rs.1,325.0 crore mobilised by the Corporation, about Rs.1,000.0 crore were mobilised from the domestic market by way of inter-corporate deposits, certificates of deposits (CDs) and loans and deposits at commercial rates from other financial institutions. The share of government guaranteed bonds in ICICI's rupee resources came down substantially from 87 per cent in 1985 to 30 per cent during 1991-92.

ICICI also raised foreign currency loans equivalent to US $ 125 million during the year. In July 1991, the Corporation signed an agreement with World Bank for a line of credit of US $ 50

million for projects involving prevention of environmental degradation; in December 1991, an agreement was signed with Kreditanstalt-fur Wiederaufbau (KfW) for DM 100 million representing export credit for financing export of capital goods from Germany and in February 1992, Tripartite MOU was signed for an allocation of SF 20 million under protocol agreement between the Government of India and Government of Switzerland.

As on March 31, 1992, the total resources of the Corporation, net of repayments and cancellations, aggregated Rs.12,448.0 crore, of which Rs.5,711.0 crore were in rupees and Rs.6,737.0 crore equivalent in foreign currencies.

iv) **Small Industries Development Bank of India (SIDBI)**

SIDBI stepped up direct and indirect assistance under its various schemes during the financial year 1991-92, the second year of its operations. Its sanctions and disbursements amounted to Rs.3,458.8 crore and Rs.2,588.1 crore, respectively. While sanctions recorded a rise of 22.5 per cent, disbursements increased by 14.8 per cent, over the previous year (Table IX-11). Of the total sanctions during the year, indirect assistance by way of refinance, bills rediscounting and short

Table IX-11 : Assistance Sanctioned and Disbursed by SIDBI

(Rs. crore)

Schemes/Year (April-March)	1990 - 91		1991 - 92	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
1. Direct Assistance (a to g)	34.5	20.8	231.7	165.0
a. Direct discounting	26.0	20.1	185.3	147.7
b. Marketing scheme	0.9	-	10.7	2.9
c. Assistance to leasing companies	5.5	0.7	26.0	7.2
d. Quality testing	0.1	-	*	-
e. Infrastructural development	2.0	-	2.2	0.2
f. Factoring services	-	-	7.0	7.0
g. Others	-	-	0.5	-
2. Indirect Assistance (h to j)	**2,707.2**	**2,155.1**	**3,189.6**	**2,396.3**
h. Refinance	2,052.2	1,561.5	2,351.0	1,634.5
i. Bills Rediscounting	240.0	178.6	277.9	201.1
j. Short-term bills	415.0	415.0	560.7	560.7
3. Equity Support (k to n)	**7.1**	**5.5**	**11.7**	**9.7**
k. Seed capital	0.3	0.2	0.3	0.3
l. National Equity Fund (NEF)	1.6	1.3	2.1	1.4
m. Special scheme for Ex-servicemen (SEMFEX)	4.3	3.6	7.2	6.5
n. Mahila Udyam Nidhi Scheme (MUN)	0.9	0.4	2.1	1.5
4. Resource Support (o to q)	**75.0**	**72.1**	**25.8**	**17.1**
o. National Small Industries Corporation Ltd.(NSIC)	22.0	20.6	5.0	4.0
p. State Small Industries Development Corpns.	14.5	18.0	20.8	13.1
q. New Debt Instrument	38.5	33.5	-	-
Total (1 to 4)	**2,823.8**	**2,253.5**	**3,458.8**	**2,588.1**

* Rs. 2 lakh only

Source : Small Industries Development Bank of India.

term bills constituted Rs.3,189.6 crore (92.2 per cent) and disbursement by way of indirect assistance aggregated Rs.2,396.3 crore (92.6 per cent). Sanctions and disbursements of direct assistance rose significantly from Rs.34.5 crore and Rs.20.8 crore, respectively, in 1990-91 to Rs.231.7 crore and Rs.165.0 crore, respectively, during 1991-92. The sanctions and disbursements in respect of direct discounting of bills rose from Rs.26 crore and Rs.20.1 crore, respectively, in 1990-91 to Rs.185.3 crore and Rs.147.7 crore, respectively, in 1991-92.

The financial assistance provided by SIDBI to backward areas as a share of the total sanctions and disbursements indicated a decline. During the year, sanctions by SIDBI to backward areas at Rs.1,023.9 crore by way of refinance and bills rediscounting scheme constituted 29.6 per cent of total sanctions (Rs.3,458.8 crore). This share was higher at 31.7 per cent in the preceeding year. Disbursements to backward areas during the year at Rs.725.1 crore amounted to 28.0 per cent of the total disbursements, lower than the share of 30.8 per cent recorded in the previous year.

Resources raised by SIDBI during the year aggregated Rs.1,168.8 crore; of these, an interest-free loan of Rs.19.9 crore and a contribution of Rs.2.5 crore to the National Equity Fund were received from the Government of India. Other sources were Overseas Economic Cooperation Fund (OECF), Japan, Rs.362.3 crore, RBI-NIC (LTO) Fund. Rs.440.0 crore, ADB line of credit, Rs.14.1 crore and loan from IDBI out of SLR market borrowings, Rs.330.0 crore.

In line with the policy measures announced by the Government of India in August 1991 to strengthen small, tiny and village enterprises, SIDBI widened the scope of National Equity Fund (NEF) and Single Window Scheme (SWS) by raising the size of projects eligible for assistance under the scheme from Rs.5 lakh to Rs.10 lakh and the quantum of equity assistance from Rs.75,000 to Rs.1.5 lakh per project. Project outlay in respect of Single Window Scheme (SWS) was raised from Rs.10 lakh to Rs.20 lakh, simultaneously with the raising working capital component from Rs.5 lakh to Rs.10 lakh.

SIDBI also liberalised the terms of the existing schemes including raising of the project outlay from Rs.12 lakh to Rs.15 lakh and the amount of equity assistance from Rs.1.8 lakh to Rs.2.2 lakh per project in respect of Self Employment Scheme for Ex-servicemen and raising of eligible loan limit under Automatic Refinance scheme and Normal Refinance Scheme in respect of primary and central co-operative banks.

SIDBI introduced the following four new schemes during the year under review:

i) a scheme of direct assistance which seeks to widen the supply base of small-scale ancillary units and encourage the existing units for technology upgradation, modernisation programme to improve competitiveness of their products;

ii) a scheme to provide resource support to factoring companies against factored debts of small scale industries;

iii) a special refinance scheme for acquisition of computers, including accessories like printer and initial software, and thereby supplementing the efforts of SSI units in improving their productivity and operational efficiency; and

iv) a special scheme for refinance assistance for qualified professionals for setting up their own business enterprises.

v) Industrial Reconstruction Bank of India (IRBI)

During 1991-92 (April-March), the Industrial Reconstruction Bank of India (IRBI), sanctioned and disbursed under its various schemes of assistance Rs.277.7 crore and Rs.185.2 crore, respectively, which were higher by 18.3 per cent and 20.3 per cent, respectively, over those in the previous year. As against this, during 1990-91, sanctions and disbursements had recorded rise of 60.1 per cent and 9.1 per cent, respectively, over those in 1989-90 (Table IX-12). Component-wise sanctions by way of term-loans, during the year under review at Rs.251.9 crore were higher by 16.9 per cent than those of Rs.215.5 crore in 1990-91, while disbursements of term loans at Rs.169.8 crore registered an increase of 17.6 per cent over those

Table IX- 12 : Financial Assistance Sanctioned and Disbursed by IRBI

(Rs. crore)

Type of Assistance/ Year (April-March)	1990-91		1991-92		Cumulative Assistance as at the end of March 1992	
	Sanctions (Gross)	Disbursements	Sanctions (Gross)	Disbursements	Sanctions (Effective)	Disbursements
1	2	3	4	5	6	7
1. Term loans	215.5	144.3	251.9	169.8	1,430.7	1,057.5
Of which:	(121)		(84)			
a) Projects located in areas classified as backward	65.8	56.4	58.8	52.6	N.A.	N.A.
b) Projects in small-scale industries sector	0.9	1.0	2.0	1.0	N.A.	N.A.
2. Textile Processing Corporation of India Ltd. (TPCI)	-	-	-	-	4.4	4.4
3. Equipment leasing scheme	10.4	0.9	0.7	4.1	16.2	9.8
4. Hire purchase assistance	-	0.5	-	-	6.8	5.8
5. Equipment finance	8.8	8.0	18.1	11.3	29.3	20.6
6. Lines of credit scheme for assisting sick small-scale units through various state-level agencies		0.2	-	*	14.5	6.2
7. Other schemes						
Underwriting and direct subscriptions	-	-	7.0	-	7.0	-
Total (1 to 7)	**234.7**	**153.9**	**277.7**	**185.2**	**1,508.9**	**1,104.3**

* Rs 4 lakh only N.A. : Not Available

Note : Figures in brackets indicate number of fresh term loan cases sanctioned during the year.

Source : Industrial Reconstruction Bank of India.

of Rs.144.3 crore in 1990-91. Sanctions of term loans continued to account for bulk of total sanctions during 1991-92 (90.7 per cent). Thus, the cumulative sanction of term loan assistance (net of cancellations) amounted to Rs.1,430.7 crore to 1,028 units as at the end of March 1992, as against Rs.1,191.1 crore to 950 units a year ago. While sanctions under equipment leasing and equipment finance schemes together at Rs.18.8 crore during 1991-92 declined marginally by 1.6 per cent from Rs.19.2 crore in previous year, disbursements under these heads were higher at Rs.15.4 crore in 1991-92, showing an increase of 73.0 per cent over the preceding year (Rs.8.9 crore).

Sector-wise, term-loan assistance provided by IRBI indicated that the units under private sector group including the units whose management was taken over by the Government under Industries (Development and Regulations) Act 1951 accounted for a major share of Rs.195.5 crore or 77.6 per cent. This was followed by public sector units (inclusive of units since nationalised) to the tune of Rs.23.6 crore (9.4 per cent), joint sector Rs.23.8 crore (9.4 per cent) and co-operative sector Rs.9.1 crore (3.6 per cent).

Both sanctions and disbursements to various units located in notified backward areas by IRBI showed decline during the year. The assistance sanctioned to backward areas at Rs.58.8 crore constituted 23.4 per cent of the total term-loans as against Rs.65.8 crore (30.5 per cent of term loans) in the previous year. In respect of disbursements, Rs.52.6 crore (31.0 per cent) were disbursed compared with Rs.56.4 crore (39.1 per cent) in 1990-91. Cumulatively as at the end of March 1992, term loan assistance of Rs.414.6 crore (29 per cent of the total) was sanctioned to 335 units located in backward areas and Rs.318.8 crore (30 per cent of the total) was disbursed to 295 units in such areas.

IRBI, while providing financial assistance, gave emphasis on industries for continuing modernisation of productive capacity and upgrading of technology of industrial units for their survival. Out of the cumulative term-loan assistance of Rs 1,430.7 crore sanctioned to industries at the end of March 1992, a major share was accounted by textile-cotton and jute (27 per cent) followed by food products, basic metals and chemicals (9 per cent each), paper (6 per cent) and machinery (5 per cent).

vi) Risk Capital and Technology Finance Corporation Limited (RCTC)

The assistance sanctioned by the Risk Capital and Technology Finance Corporation Limited (RCTC) during 1991-92 (April-March) were Rs.14.3 crore, indicating a rise of 37.5 per cent over the previous year. Disbursements were Rs.7.8 crore, registering an increase of 6.8 per cent, over the year (Table IX-13). The corporation was supported financially by IFCI with a sanction of Rs.3.0 crore for 15 medium-sized projects during the year.

Cumulatively, sanctions of risk capital assistance aggregated Rs.30.9 crore to 226 medium-sized industrial projects while disbursements amounted to Rs.27.8 crore. Further, sanctions under Technology Finance and Development Scheme were of the order of Rs.1.9 crore for 4 projects and disbursements amounted to Rs.2.3 crore during the year. Cumulative sanctions and disbursements upto March 31,1992 under Technology Finance and Development Scheme amounted to Rs.13.0 crore and Rs.7.6 crore respectively. RCTC had sanctioned and disbursed Rs.9.4 crore and Rs.2.1 crore, respectively, during the 1991-92 under the Venture Capital Unit Scheme. Since inception, the cumulative sanctions and disbursements under all schemes of RCTC upto March 31, 1992 stood at Rs.53.3 crore and Rs.37.5 crore, respectively. Of the total sanctions during the year, food products accounted for Rs.2.0 crore followed by machinery (Rs.1.9 crore), chemicals and chemical products (Rs.1.4 crore), and others accounting for the remaining. New industries accounted for the largest share of Rs.13.1 crore in the total sanctions, modernisation/balancing equipment and expansion/diversification accounting for the rest.

Sector-wise, private sector accounted for the bulk of sanctions (Rs.13.4 crore) while public and joint sectors accounted for the balance.

vii) Technology Development and Information Company of India Limited (TDICI)

During 1991-92 (April-March), TDICI sanctioned and disbursed total assistance of Rs.19.9 crore and Rs.18.5 crore, respectively, recording a rise of 74.6 per cent and 49.2 per cent, respectively, over those of Rs.11.4 crore and Rs.12.4 crore, respectively, in 1990-91. Cumulative approvals

Table IX-13: Scheme-wise Assistance Sanctioned and Disbursed by RCTC

(Rs. crore)

Type of Assistance/ (Year : April-March)	1990-91		1991-92		Cumulative Assistance as at March 31,1992	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Risk Capital Scheme						
(i) Rupee loans	0.9	1.4	-	1.0	24.1	23.8
(ii) Direct subscription	2.5	1.3	3.0	2.4	6.8	4.0
2. Technology Finance Scheme						
(i) Rupee loans	6.5	4.5	1.6	1.9	11.9	7.0
(ii) Direct subscription	0.5	0.1	0.3	0.4	1.1	0.6
3. Other Schemes						
Venture Capital Unit Schemes	-	-	9.4	2.1	9.4	2.1
Total	**10.4**	**7.3**	**14.3**	**7.8**	**53.3**	**37.5**

Source : Risk Capital and Technology Finance Corporation Limited

(i.e., net of cancellations and reduction in assistance) as on March 31, 1992 was Rs.56.7 crore covering 117 companies (Table IX-14). This comprised of Rs.19.7 crore to 37 companies under VECAUS-I, Rs.29.6 crore to 53 companies under VECAUS-II and Rs.7.4 crore to 27 companies under the ICICI loan. As on March 31, 1992, 96 companies have utilised assistance aggregating Rs.43.3 crore.

During the year under review, TDICI in association with 9 other venture capital companies in the country formed the Indian Venture Capital Association with the objective of making a collective effort in promoting venture capital interests in the country. TDICI has become a member on the Over The Counter Exchange of India (OTCEI).

viii) Shipping Credit and Investment Company of India Limited (SCICI)

The sanctions by the Shipping Credit and Investment Company of India Limited (SCICI) showed a sizeable net increase. In particular, sanctions by way of foreign currency loans recorded a phenomenal increase in contrast to a slowdown witnessed in the sanctions of rupee loans. Total disbursements, however, remained almost at the last year's level, wih a significant increase in disbursements of rupee loans and declines in foreign currency loans, and other components.

The aggregate financial assistance sanctioned by the SCICI during 1991-92 (April-March) amounted to Rs.409.0 crore through its various schemes, registering a rise of 23.3 per cent over those in 1990-91 (Rs.331.6 crore) (Table IX-15). Disbursements went up to Rs.170.9 crore showing a small increase of 2.3 per cent over the previous year. (Rs.167.0 crore).

The financial assistance provided by SCICI can be classified as (a) rupee loans, (b) foreign currency

Table IX-14 : TDICI - Industry - wise Distribution of Cumulative Assistance Sanctioned till March 31, 1992

Industry	No. of Companies	Amount (Rs. crore)	Percentage
1. Computer HW/SW/CAM/Systems	25	13.4	24.0
2. Chemicals/Polymers/Spl Matls.	21	7.6	13.0
3. Drugs/Diagnostics/Vaccines	12	7.3	13.0
4. Services/Others	14	6.8	12.0
5. Food/Feed/Fisheries	8	6.7	12.0
6. Electrical/Electronics/Telecom	13	5.5	9.0
7. Engineering/Non-Conventional Energy	16	5.1	9.0
8. Consumer Products	4	2.3	4.0
9. Bio-Technology	3	1.8	3.0
10. Mechanical Equipment/System	1	0.2	1.0
Total	**117**	**56.7**	**100.0**

Source : Technology Development and Information Company of India Limited.

Table IX- 15 :Financial Assistance Sanctioned and Disbursed by SCICI

(Rs. crore)

Type of Assistance/ (Year : April-March)	1990-91		1991-92	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
1. Rupee loans	136.8	57.3	80.3	72.9
2. Foreign currency loans	187.3	99.1	310.9	93.7
3. Underwriting/Investment	7.5	10.0	3.2	1.3
4. Deferred line of credit	-	0.1	12.0	-
5. Guarantees	-	0.5	2.6	3.0
Total	**331.6**	**167.0**	**409.0**	**170.9**

Source : Shipping Credit and Investment Company of India Ltd.

loans, (c) underwriting/investments, (d) deferred credit and (e) guarantees. During 1991-92, as compared to the preceding period, sanctions under the category of 'foreign currency loans' moved up to Rs.310.9 crore (Rs.187.3 crore), while rupee loans and underwriting/investment declined to Rs.80.3 crore (Rs.136.8 crore) and Rs.3.2 crore (Rs.7.5 crore), respectively. In the case of disbursements, however, rupee loans increased to Rs.72.9 crore from Rs.57.3 crore in 1990-91. On the other hand, marginal to sharp decline was noticed in foreign currency loans and underwriting/ investments to Rs.93.7 crore (from Rs.99.1 crore) and Rs.1.3 crore (from Rs.10.0 crore), respectively. There were no disbursements under 'deferred credit'. Disbursements under guarantees went up to Rs.3.0 crore from Rs.0.5 crore.

The aggregate rupee and foreign currency resources raised upto March 31, 1992 amounted to Rs.1,106.0 crore including Rs.664.1 crore of foreign currency borrowings.

In its effort to broad-base its activities the SCICI has diversified to cover other sectors related to its primary activities, with emphasis on exports and infrastructure such as energy, telecommunications and tourism. SCICI, as a developmental agency had organised seminars, workshops, sponsored market research and development activities during the year.

ix) Tourism Finance Corporation of India Limited (TFCI)

During the year 1991-92 (April-March), Tourism Finance Corporation of India Limited (TFCI) sanctioned assistance aggregating Rs.103.5 crore which was higher by 21.8 per cent than that of Rs.85.0 crore sanctioned in the preceding year (Table IX-16).

The assistance sanctioned in 1991-92 mainly comprised of rupee loans (Rs.100.7 crore) and small amounts in respect of leasing assistance (Rs.1.5 crore) and direct subscription to equity shares (Rs.1.3 crore). Through the assistance sanctioned during the year, sixteen projects were promoted by entrepreneurs entering the field of tourism for the first time which accounted for Rs.31.0 crore. A sum of Rs.11.9 crore was sanctioned to 4 projects located in backward areas. The cumulative amounts sanctioned by TFCI, since its inception stood at Rs.241.2 crore at end-March 1992.

The disbursements of TFCI during 1991-92 at Rs.48.3 crore, registered an increase of 23.2 per cent over the previous year. The bulk of these were in rupee loans (Rs.47.3 crore). The cumulative

Table IX-16 :Financial Assistance Sanctioned and Disbursed by TFCI

(Rs. crore)

Type of Assistance/ (Year : April-March)	1990-91		1991-92		Cumulative Assistance as on March 31, 1992	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Rupee loans	80.6	38.7	100.7	47.3	232.8	98.8
2. Direct subscription to equity	2.2	0.2	1.3	0.7	4.7	0.6
3. Leasing	2.2	0.3	1.5	0.3	3.7	0.9
Total	**85.0**	**39.2**	**103.5**	**48.3**	**241.2**	**100.3**

Source : Tourism Finance Corporation of India Limited.

loans disbursed as on March 31,1992 stood at Rs.100.3 crore.

2. Investment Institutions

Institution-wise operations of Investment Institutions during 1991-92 are set out in the following paragraphs.

i) Unit Trust of India (UTI)

During 1991-92 (April-March), the financial assistance sanctioned and disbursed by the Unit Trust of India were Rs.3,821.5 crore and Rs.2,906.6 crore, respectively, recording rise of 84.5 per cent and 83.9 per cent, respectively, over the year (Table IX-17).

The total investible funds of the Trust in the current year amounted to Rs.31,805.7 crore, registering a rise of 48.8 per cent over the previous year's figure of Rs.21,376.5 crore (Table IX-18). Capital market instruments like equity shares (Rs.8,861.8 crore), preference shares (Rs.21.9 crore) and debentures (Rs.6,185.5 crore) accounted for a large proportion of the investible funds (47.4 per cent). The share of these instruments in total investments was 40.6 per cent in the preceding year. The remaining investible funds were deployed by the Trust mainly in term loans, special deposits, Government securities, unsecured short-term deposits and advance deposits against investment commitments.

The UTI recorded an unprecedented increase of 156.7 per cent in its gross sales of units under all the schemes during the year which amounted to Rs.11,685.5 crore (Table IX-19). This was attributed to the overwhelming response, mainly to equity-based schemes, reflecting the environment created by buoyancy in stock markets during the year. Sales under the Unit Scheme 1964 of the Trust also recorded a substantial increase of 52.8 per cent in 1991-92 in contrast to the steep decline of 78.1 per cent during 1990-91.

Repurchases too at Rs.2,958.1 crore rose steeply by 173.6 per cent compared to the previous year. However, repurchases under the Unit Scheme 1964 witnessed more than three and a half-fold increase to Rs.2,006.9 crore from Rs.460.8 crore last year. This upsurge has been due to the collections obtained from the new schemes introduced during the year.

The following new schemes were introduced during the year: Deferred Income Unit Scheme, 1991 (DIUS-91), The Unit Growth Scheme 5000 (UGS-5000), Master Equity Plan 1992 (MEP-92), Masterplus, Growing Monthly Income Unit Scheme 1991 (GMIS-91), Venture Capital Unit Scheme(III) 1991, Growing Monthly Income Unit Scheme 1992-II (GMIS 92-II) Growing Monthly Income Unit Scheme 1992 (GMIS-92) and Mastergain. Through these schemes, UTI netted Rs.9,073.6 crore during the year 1991-92.

The Trust has also introduced a new scheme in the name of OMNI Plan to provide an opportunity to investors to earn yield on their temporarily idle funds while awaiting investment opportunity in forthcoming schemes of their choice. This scheme mobilised Rs.44.1 crore during the year. To provide a greater degree of flexibility, partial repurchases for the investors of Children's Gift Growth Fund 1986 (CGGF-86) on completion of 18 years was introduced. The Unit Scheme for Charitable and Religious Trusts and Registered Societies 1981, which earlier provided for regulated repurchases now extends the facility of complete or partial withdrawal after the completion of 3-year period.

Dividends under some of the schemes of the UTI were stepped up during the year, particularly in the case of the Unit Scheme 1964 from 19.5 to 25.0 per cent.

During the year, the Trust has promoted the Unit Trust Management of Sri Lanka in association with Bank of Ceylon, Wardleys Investment Services of Hongkong and Carson Cumberbatch & Company Limited of Sri Lanka. Apart from participating in the equity capital of this new venture, UTI is providing technical and management support in designing and marketing of schemes, operation and system design. UTI has also signed a Memorandum of Understanding with Alliance Capital Management Ltd. (USA) to jointly set up an asset management company at Bombay to engage in investment banking business including

Table IX-17: Financial Assistance Sanctioned and Disbursed by UTI

(Rs. crore)

Type of Assistance/(Year:April-March)	1990-91		1991-92	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
1. Rupee term loans	569.5	342.6	1,108.6	654.4
2. Underwriting and direct subscription (i+ii+iii)	844.2	487.6	1,778.0	1,362.3
i) Equity shares	51.5	20.7	68.8	43.8
ii) Preference shares	10.4	10.5	0.1	3.1
iii) Debentures	782.3	456.4	1,709.1	1,315.4
3. Special Deposits *	663.5	752.5	934.9	889.9
Total	**2,077.2**	**1,582.7**	**3,821.5**	**2,906.6**

* Includes housing finance.
Note : Data are provisional.
Source : Unit Trust of India.

Table IX-18 : Investments by UTI

(Rs. crore)

Type of Investment	As on June 30, 1991	As on June 30, 1992
1	2	3
A. Total Investment in Corporate Sector (1 to 10)	**12,751.7 (59.7)**	**21,375.6 (67.2)**
Of which:		
1. Equity shares	4,234.0 (19.8)	8,861.8 (27.9)
2. Preference shares	19.1 (0.1)	21.9 (0.1)
3. Debentures	4,430.9 (20.7)	6,185.5 (19.4)
4. Advance deposits against investment commitments	99.5 (0.5)	105.4 (0.3)
5. Unsecured deposits	472.3 (2.2)	767.2 (2.4)
6. Bridge finance	112.8 (0.5)	67.2 (10.2)
7. Application money	2.5 (* *)	17.4 (0.1)
8. Advance call	0.1 (-)	– (-)
9. Term loans	1,756.9 (8.2)	2,689.7 (8.5)
10. Special deposits	1,623.6 (7.6)	2,659.5 (8.4)
B. Other investments (11 to 13) of which	**8,624.8 (40.3)**	**10,430.1 (32.8)**
11. Call Deposits	1,887.6 (8.8)	3,099.3 (9.7)
12. Government securities, etc.	5,109.8 (23.9)	5,755.5 (18.1)
13. Bill Rediscounting Scheme	1,627.4 (7.6)	1,575.3 (5.0)
C. Total investible funds (A + B)	**21,376.5 (100.0)**	**31,805.7 (100.0)**

Note : 1. Data are provisional.
2. Figures in brackets indicate percentage to total.
* * Negligible
Source : Unit Trust of India.

Table IX-19 : Scheme-wise Sales and Repurchase by Unit Trust of India (July-June)

(Rs. crore)

Schemes	Sales		Repurchases		Outstanding (as on June 30)		Dividend rate (Per cent)	
	1990-91	1991-92	1990-91	1991-92	1991	1992	1990-91	1991-92
1. Unit Scheme 1964	699.8	1,069.5	460.8	2,006.9	7,268.7+	6,330.9+	19.50	25.00
2. Unit Scheme 1971 (ULIP)	283.5	325.7	50.5	60.1	728.1	994.1	14.50	16.00
3. Scheme for Charitable and Religious Trust and Registered Societies 1981 (CRTS)	54.8	29.5	1.4	2.8	187.6	214.3	15.75	17.00
4. Monthly Income Unit Scheme with Growth@	-	-	121.9	500.2	1,850.4	1,350.3	12.00	12.00
5. Growing Income Unit Scheme#	102.0	95.4	179.9	35.7	1,011.6	1,071.4		
6. Capital Gains Unit Scheme 1983.	400.7	648.9	264.1	263.9	1,065.3	1,460.6	10.25	10.50
7. Children's Gift Growth Fund Unit Scheme 1986	168.0	184.0	0.3	1.6	500.4	682.9	12.50	13.00
8. India Fund Unit Scheme 1986	-	-	-	-	170.6	170.6	(a)	(a)
9. Mutual Fund (Subsidiary) Unit Scheme 1986	-	-	-	-	233.3	349.9*	18.00	18.00
10. Parents' Gift and Growth Fund Unit Scheme 1987	3.1	-	0.1	23.9	23.9	-	12.50	-
11. India Growth Fund 1988	-	-	-	-	43.4	43.3	(c)	-
12. Venture Capital Unit Scheme (I) 1989	-	-	-	-	20.0	20.0	-	15.00
13. New 7-Year Monthly Income Unit Scheme with yearly Bonus and Growth 1990	68.7	75.5	1.8	4.5	1,006.3	1,034.5	13.00(d)	13.00(d)
14. Venture Capital Unit Scheme (II) 1990	1.7	31.6	-	-	17.1	48.7	-	15.00
15. Deferred Income Unit Scheme 1990	105.4	-	-	-	105.3	105.4	-	-
16. Unit Growth Scheme 2000	193.9	-	-	-	193.7	193.9	-	-
17. 7-year Monthly Income Scheme with Bonuses and Growth (II) 1990	1,163.3	59.0	0.4	10.8	1,162.9	1,211.5	13.00(d)	13.00(d)
18. Master Equity Plan 1991	286.3	-	-	-	285.6	286.3	-	-
19. 7-Year Monthly Income Unit Scheme with Bonuses and Growth 1991	898.3	43.7	-	4.0	504.9	941.8	13.00(d)	13.00(d)
20. Capital Growth Unit Scheme 1991 (Mastergain)	123.5	-	-	-	35.2	123.5	-	-
21. Deferred Income Unit Scheme 1991	-	205.2	-	-	-	205.2	-	-
22. Unit Growth Scheme 5000	-	276.9	-	-	-	276.9	-	-
23. Growing Monthly Income Unit Scheme'91	-	1,021.4	-	0.3	-	1,166.1(e)	-	14.50
24. Masterplus	-	992.4	-	-	-	992.1	-	-
25. Venture Capital Unit Scheme (III) 1991	-	5.0	-	-	-	5.0	-	-
26. Growing Monthly Income Unit Scheme'92	-	429.4	-	**	-	397.3	-	14.50
27. Capital Growth Unit Scheme 1992 (Mastergain '92)	-	4,472.2	-	-	-	3,655.4	-	-
28. Growing Monthly Income Unit Scheme'92 (II)	-	379.5	-	-	-	235.8	-	14.50
29. Master Equity Plan 1992	-	1,296.6	-	-	-	1,252.0	-	-
30. Omni Plan	-	44.1	-	43.4(b)	-	0.7	-	(f)
Total	**4,553.0**	**11,685.5**	**1,081.2**	**2,958.1**	**16,414.3**	**24,820.4**		

@ Includes Monthly Income Schemes with growth (5)1985, (6)1986, (7)1986, (8)1987, (9)1987, (10)1988, (11)1988, (12)1989 and (13) 1989.

\# Includes Growing Income Unit Scheme 1986, 1987, 1987(II), 1987(III), 1989, 1989(II) and 1990.

* Includes a bonus issue of 1:2.

** Rs. 1.55 lakh only

\+ Includes initial capital of Rs. 5.00 crore

(a) Dividend of 4 pence declared in August 1991 and 1.5 pence during 1991-92.

(b) Includes conversion to other schemes.

(c) US $0.93 dividend declared in December 1991.

(d) 12 per cent yearly dividend plus one per cent bonus dividend at the end of the year.

(e) Includes application money of Rs. 14,504.03 lakh.

(f) Upto November 3, 1991 - 9 per cent, from November 4, 1991 to June 30, 1992 - 11 per cent.

Source : Unit Trust of India.

consultancy, advisory services, research and mutual fund operation. It will raise funds overseas and help the Trust to introduce innovative Units schemes.

ii) Life Insurance Corporation of India (LIC)

Financial assistance sanctioned and disbursed by the LIC during 1991-92 (April-March) at Rs.1,115.3 crore and Rs.972.5 crore, respectively, recorded substantial rise of 62.1 per cent and 127.5 per cent, respectively, over those of 1990-91 (Table IX-20).

Assistance sanctioned by way of term-loans during the year at Rs.414.2 crore rose by 76.7 per cent. Disbursements of term-loans at Rs.311.9 crore went up by 83.1 per cent. Sanctions for underwriting and direct subscription of shares and debentures rose to Rs.701.1 crore in 1991-92 from Rs.453.7 crore in 1990-91 and disbursements in this regard rose to Rs.660.6 crore from Rs.257.1 crore in 1990-91. Cumulative assistance sanctioned and disbursed by LIC as on March 31,1992 was Rs.5,449.3 crore and Rs.4,268.7 crore respectively. Assistance outstanding as on March 31, 1992 stood at Rs.5,124.3 crore.

Investments by LIC

During 1991-92 (April-March), investments by LIC aggregated Rs.5,502.8 crore, registering a 25.2 per cent increase over the previous year (Table IX-21). Of the total investments during the year, Rs.3,214.5 crore (58.4 per cent) were invested in stock exchange securities, Rs.2,201.8 crore (40.0 per cent) in loans and Rs.86.5 crore (1.6 per cent) in special deposits with Central Government, contribution to the initial capital and loans on bills rediscounting. Cumulative investments by LIC as at the end of March 31, 1992 aggregated Rs.30,402.4 crore as compared with Rs.24,899.7 crore as at the end of the previous year. Of the total investments of Rs.5,502.8 crore during the year, the public sector accounted for the bulk - Rs.4,445.6 crore (80.8 per cent), followed by private sector (Rs.929.3 crore or 16.9 per cent),

Table IX-20 : Financial Assistance Sanctioned and Disbursed by LIC

(Rs. crore)

Item / (Year : April-March)	1990-91		1991-92		Cumulative Assistance as at the end of March 1992		Amount Outstanding as on March 31, 1992
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	
1	2	3	4	5	6	7	8
1. Term loans **(a+b+c)	234.4	170.3	414.2	311.9	2,166.3*	1,674.0*	1,498.7*
a. Public Sector	75.1	30.8	155.0	154.1			
b. Private Sector (Including Joint Sector)	149.4	138.6	259.2	156.8			
c. Co-operative Sector	9.9	0.9	–	1.0	–		
2. Underwriting and direct subscriptions (i+ii)	453.7	257.1	701.1	660.6	3,283.0	2,594.7	3,625.6@
i) Equity and Preference shares	20.3	5.2	17.1	44.0	311.6	265.9	1,017.1
ii) Debentures	433.4	251.9	684.0	616.6	2,971.4	2,328.8	2,608.5
Total (1+2)	**688.1**	**427.4**	**1,115.3**	**972.5**	**5,449.3**	**4,268.7**	**5,124.3**

* Sector-wise break up is not available

@ This includes market purchases also.

** Relates to term loans (excluding short and medium term loans) to companies, industrial co-operatives and sugar co-operatives.

Note : Data exclude short and medium term loans.

Source : Life Insurance Corporation of India.

Table IX-21 : Investments by LIC

(Rs. crore)

Type of Assistance	As at the end of March		Net change during April-March	
	1991	1992	1990-91	1991-92
1	2	3	4	5
1. Public Sector	19,979.8	24,425.4	3,575.5	4,445.6
2. Private Sector	3,310.2	4,239.5	669.5	929.3
3. Joint Sector	165.2	174.9	39.7	9.7
4. Co-operative Sector	1,444.5	1,562.6	111.2	118.2
Total (1 to 4)	**24,899.7**	**30,402.4**	**4,395.9**	**5,502.8**
Of which:				
a) Stock Exchange Securities	15,842.2	19,056.8	2,923.6	3,214.5
b) Loans	7,416.6	9,618.4	1,274.3	2,201.8
c) Others*	1,640.9	1,727.2	198.0	86.5

* Others include special deposits with Central Government, contribution to the initial capital of Unit Trust of India, LIC Housing Finance, LIC Mutual Fund, LIC International and loans on bills rediscounting.

Source : Life Insurance Corporation of India.

co-operative sector (Rs.118.2 crore or 2.1 per cent) and joint sector (Rs.9.7 crore or 0.2 per cent).

The lending rates for different classes of companies and industrial co-operatives by LIC were revised during the year 1991-92 as indicated below.

Term Loans	Net rate of interest charged by LIC
1. Consortium	Ranging from 18 to 20 per cent per annum payable quarterly (inclusive of interest tax)
2. Non-consortium	Same as consortium. However, for ICICI, IFCI and IL & FS, the rate of interest was 17.5 per cent per annum.
3. Group gratuity	20 per cent per annum payable quarterly.
4. Group Super-annuation Scheme	Same as above.

Note: 1. Interest on bridge loan will continue to carry additional interest of 1 per cent and will be levied from the date of first disbursement.

2. One per cent additional interest is charged from companies which are closely held.

3. One per cent additional interest is charged from companies whose shares are not listed with the stock-exchanges.

iii) General Insurance Corporation of India (GIC)

The General Insurance Corporation of India and its Subsidiaries* sanctioned financial assistance of Rs.657.2 crore during 1991-92 (April-March), recording a significant rise of 110 per cent over that in 1990-91 (Rs.312.9 crore) (Table IX-22). Disbursements also rose to Rs.241.8 crore during the year from Rs.146.4 crore in 1990-91 recording a rise of 65.2 per cent. Sanctions by way of loans at Rs.202.0 crore during 1991-92 rose sharply by 183.7 per cent from Rs.71.2 crore in 1990-91. Disbursements of loans rose by 58.5 per cent from Rs.49.4 crore in 1990-91 to Rs.78.3 crore during 1991-92. Both sanctions and disbursements by way of underwriting and direct subscriptions moved up from Rs.241.7 crore and 97.0 crore, respectively in 1990-91 to Rs.455.2 crore and Rs.163.5 crore, respectively, in 1991-92.

Sector-wise, during the year, private sector accounted for a major portion of sanctions of Rs.374.4 crore (57 per cent), followed by public sector-Rs.147.7 crore (22.5 per cent) and joint sector-Rs.135.1 crore (20.5 per cent).

* National Insurance Company Ltd., The New India Assurance Co. Ltd., The Oriental Insurance Co.,Ltd. and United India Insurance Company Ltd.

Table IX-22: Financial Assistance Sanctioned and Disbursed by GIC and its Subsidiaries

(Rs. crore)

Item / (YearApril-March)	1990-91		1991-92	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
A. Type of Assistance				
1. Loans	71.2	49.4	202.0	78.3
2. Underwriting and direct subscriptions (i+ii)	241.7	97.0	455.2	163.5
i) Equity and Preference shares	4.9	9.1	4.4	8.4
ii) Debentures	236.8	87.9	450.8	155.1
Total (1+2)	**312.9**	**146.4**	**657.2**	**241.8**
B. Sector-wise Assistance				
1. Public Sector	30.8	1.6	147.7	9.2
2. Private Sector	273.6	138.9	374.4	224.9
3. Co-operative Sector	3.0	-	-	0.2
4. Joint sector	5.5	5.9	135.1	7.5
Total (1 to 4)	**312.9**	**146.4**	**657.2**	**241.8**

Source : General Insurance Corporation of India.

Assistance sanctioned by GIC to areas classified as backward declined to Rs.7.3 crore during the year from Rs.27.2 crore in 1990-91. Disbursements also declined fr'hy6om Rs.8.9 crore in 1990-91 to Rs.2.0 crore in 1991-92.

State-level Institutions

i) State Financial Corporations (SFCs)

Total assistance sanctioned and disbursed by eighteen State Financial Corporations during 1991-92 (April-March) aggregated Rs.2,178.1 crore and Rs.1,540.1 crore, respectively, recording a rise of 16.9 per cent and 21.2 per cent over those in the preceding year (Table IX-23). During 1990-91, sanctions and disbursements by these SFCs rose by 23.1 per cent and 9.9 per cent, respectively, over those in 1989-90 (sanctions Rs.1,514.2 crore, disbursements Rs.1,156.5 crore). Cumulative sanctions and disbursements by the SFCs as at the end of March 1992 aggregated Rs.13,667.4 crore and Rs.10,305.3 crore, respectively.

ii) State Industrial Development Corporation (SIDCs)

Assistance sanctioned and disbursed by twenty six State Industrial Development Corporations (SIDCs) during 1991-92 (April-March), aggregated Rs.1,013.6 crore and Rs.680.0 crore respectively, registering a rise of 23.1 per cent and 13.7 per cent, respectively, as compared to those in 1990-91 (Table IX-24). During 1990-91, sanctions and disbursements by these SIDCs rose by 19.2 per cent and 9.7 per cent, respectively, over those in 1989-90 (sanctions Rs.691.0 crore, disbursements Rs.545.2 crore). Cumulative sanctions and disbursements by the SIDCs as at the end of March 1992, aggregated Rs.6,567.5 crore and Rs.4,923.9 crore, respectively.

Table IX-23 : Operations of State Financial Corporations

(Rs. crore)

		April-March		Cumulative Sanctions/ Disbursements up-to end of March 1992
		1990-91	1991-92	
1		2	3	4
Assistance	Sanctioned	1,863.9	2,178.1	13,677.4
Assistance	Disbursed	1,270.8	1,540.1	10,305.3

Note: Data are provisional.
Source : Industrial Development Bank of India.

Table IX-24 : Operations of State Industrial Development Corporations

(Rs. crore)

	April-March		Cumulative Sanctions/ Disbursements up-to end of March 1992
	1990-91	1991-92	
1	2	3	4
Assistance Sanctioned	823.7	1,013.6	6,567.5
Assistance Disbursed	598.3	680.0	4,923.9

Note: Data are provisional.

Source : Industrial Development Bank of India.

3. Other Institutions

i) Export-Import Bank of India (Exim Bank)

During the year 1991-92 (April-March), sanctions of funded assistance by the Exim Bank under its different lending programmes amounted to Rs. 1,139.9 crore, registering a rise of 9.2 per cent over the previous year's level of Rs.1,043.7 crore (Table IX-25). Disbursements of assistance during 1991-92 at Rs.1,107.4 crore were Rs.249.0 crore or 29.0 per cent higher than those of Rs.858.4 crore in the previous year. Sanctions of non-funded assistance in the form of guarantees declined sharply to Rs.53.0 crore at the end of March 1992 from a level of Rs.106.9 crore in 1990-91. However, guarantees actually issued posted an impressive growth in 1991-92 to about Rs.94.6 crore from Rs.33.6 crore in the preceding year.

The Exim Bank made commitments-in-principle amounting to Rs.1,790.0 crore for loans and Rs.713.0 crore for non-funded assistance in the form of guarantees during the year 1991-92. Out of projects where Exim Bank made commitments-

Table IX-25: Operations of Export - Import Bank of India

(Rs. crore)

Financing Programmes/(Year : April-March)	1990-91			1991-92		
	Sanctions	Disbursements	Outstanding	Sanctions	Disbursements	Outstanding
1	2	3	4	5	6	7
A. Funded Assistance	**1,043.7**	**858.4**	**1,315.4**	**1,139.9**	**1,107.4**	**1,616.1**
1. Supplier's Credit	185.0	124.8	412.1	58.5	97.5	504.3
2. Pre-shipment Credit	52.6	56.3	107.7	90.7	89.2	155.6
3. Export Oriented Units	33.4	28.9	75.3	86.8	70.5	121.8
4. Agency Credit Line	19.2	3.0	9.8	2.2	11.0	17.9
5. Computer Software Exports	5.9	11.1	16.7	18.6	3.2	9.5
6. Export Marketing	16.3	6.8	6.8	44.8	16.5	23.3
7. Overseas Investment Finance	4.5	3.2	5.9	-	1.3	6.6
8. Lines of Credit	134.5	38.5	220.1	25.9	24.5	273.6
9. Buyer's Credit	3.0	10.2	94.8	-	0.4	112.7
10. Export Bills Rediscounting	220.0	220.0	70.0	478.6	478.6	175.6
11. Small Scale Industry Export Bills Rediscounting	200.0	200.0	50.0	152.9	152.9	0.4
12. Export Credit Refinance	68.9	55.1	144.7	60.4	41.4	143.0
13. Bulk Import Finance	100.0	100.0	100.0	119.9	119.9	70.2
14. Other Funded Assistance	0.4	0.5	1.5	0.6	0.5	1.6
B. Total Non-Funded Assistance*	**106.9**	**33.6 ****	**618.3**	**53.0**	**94.6 ****	**1,214.2**

* Non-funded assistance is given in the form of guarantees.

** Guarantees issued

Note : All sanctions, disbursements and outstanding amounts in foreign currencies have been converted into rupees using the exchange rate prevailing at the time of sanctions or disbursements or at the end of the year (for outstandings).

Source : Export Import Bank of India.

in-principle for the current as well as earlier periods, Indian exporters secured 84 contracts worth Rs.1,088 crore during the year 1991-92.

Region-wise, the largest share of sanctions of funded assistance was accounted for by exports to West Asia (35.3 per cent), a reflection of the past trend. This is followed by Africa (including sub-Saharan and North Africa) (31.5 per cent), South-East Asia/Far East and Pacific (26.1 per cent), Europe and America (6.3 per cent) and South Asia (0.8 per cent) Table IX-26). Compared with the previous years's sanctions, the share of West Asia moved-up by 11.3 percentage points, Africa by 9 percentage points and South East Asia/Far East and Pacific by 10.2 percentage points. However, as compared with the previous year, the share of Europe and Americas declined by 7.5 percentage points and South Asia by 23 percentage points in 1991-92. Disbursements of loans region-wise indicated that the share of Africa at 30.4 per cent, was the largest among the regions, followed in the descending order by West Asia (30.1 per cent), South Asia (26.8 per cent), South East Asia/ Far East and Pacific (10.8 per cent) and Europe and Americas (1.9 per cent).

Industry-wise, sanctions of financial assistance by the Exim Bank show that transport vehicles accounted for about 26.2 per cent under funded programme (Table IX-27). The other industries which received substantial assistance were construction goods, equipments and related services (13.3 per cent) and other capital and engineering goods (12.1 per cent). Transport vehicles had a share of 28.2 per cent in total disbursements followed by other capital and engineering goods (13.9 per cent) and machine tools and accessories (10.6 per cent).

To give a boost to export promotion programmes, Exim Bank announced five programmes during the year 1991-92 which were:

1) Foreign Currency Pre-shipment Credit,

2) Production Equipment Finance Programme,

3) European Community International Investment Partners,

4) Forfaiting and

5) Business Advisory and Technical Assistance.

Foreign Currency Pre-shipment Credit, which is a short-term pre-shipment credit in foreign currency, enables exporters to avail of financial assistance from commercial banks to meet the cost of imported inputs required for export production. The Production Equipment Finance Programme ensures rupee term finance to eligible export-oriented units for acquisition of equipment covering small value transactions under an umbrella arrangement. The European Community International Investment Partners (ECIIP) aims at promoting joint ventures in India with private sector-small and medium enterprises in the EC. It also envisages financial support for such ventures. Under forfaiting programme, facilities

Table IX-26: Operations of Export-Import Bank of India

(Rs. crore)

Regions/(Year : April-March)	1991-92			
	Sanctions	% share	Disbursements	% share
1	2	3	4	5
1. West Asia	51.2	35.3	49.7	30.1
2. Africa**	45.6	31.5	50.0	30.4
3. South-East Asia/ Far East and Pacific	37.8	26.1	17.9	10.8
4. Europe and America	9.1	6.3	3.1	1.9
5. South Asia	1.1	0.8	44.3	26.8
Total	**144.8**	**100.0**	**165.0**	**100.0**

* This table includes sanctions and disbursements under Supplier's Credit, Export Credit Refinance, Buyer's Credit, Lines of Credit and Overseas Investment Finance.

** Includes Sub-Saharan Africa and North Africa.

Source : Export-Import Bank of India.

Table IX-27: Industrial Distribution of loans by Export-Import Bank of India

(Rs. crore)

Industry/(Year : April-March)	1991-92			
	Sanctions	% share	Disbursements	% share
1	2	3	4	5
1. Transport vehicles	60.8	26.2	73.7	28.2
2. Construction goods, equipment and related services	30.9	13.3	12.6	4.8
3. Other capital and engineering goods	27.9	12.1	36.1	13.9
4. Computer Software	18.6	8.0	3.3	1.3
5. Food processing	16.6	7.2	15.0	5.7
6. Textile and garments	14.9	6.5	15.3	5.9
7. Leather and leather products	13.7	5.9	15.1	5.8
8. Chemicals, Drugs and pharmaceuticals	13.1	5.6	11.3	4.3
9. Machine tools and accessories	5.4	2.3	27.8	10.6
10. Marine products	3.4	1.5	3.3	1.3
11. Power generation and distribution equipment	1.3	0.6	3.9	1.5
12. Miscellaneous	25.1	10.8	43.6	16.7
Total	**231.7**	**100.0**	**261.0**	**100.0**

Note : This table includes sanctions and disbursements under Supplier's Credit, Export Oriented Units , Agency Credit Line, Computer Software Exports, Export Marketing,Overseas Investment Finance, Lines of Credit, Buyer's Credit and Export Credit Refinance.

Source : Export-Import Bank of India.

are provided to Indian exporters for discounting of their medium and long term export receivables, on without recourse basis, with international forfaiting agencies. The Business Advisory and Technical Assistance (BATA) programme would provide services of Indian exports to the IFC sponsored BATA programme for the Caribbean, Central America, the South Pacific, Poland and other East European Countries.

ii) The Credit Rating Information Services of India Limited (CRISIL)

The Credit Rating Information Services of India Limited (CRISIL) during 1991-92, rated 155 debt instruments issued by 103 companies covering a debt volume of Rs.5,866.5 crore compared with 77 debt instruments issued by 46 companies for Rs.1,689.9 crore in 1990-91.

Since inception in 1988, CRISIL had, by the end of March 1992, rated 304 debt instruments for a total debt value of Rs.10,626.0 crore. These instruments were issued by 228 companies, including 5 companies in the public sector.

Apart from rating instruments like fixed deposit programmes, convertible and non-convertible debentures, CRISIL had rated 56 Commercial Paper Programmes worth Rs.948.0 crore. In addition, the agency had completed credit assessment of 58 companies. During the year, for the first time, CRISIL rated an asset backed security viz. , 'auto loans' originated by Citibank - besides assigning rating to a new instrument in the name of 'Structured Obligation'.

During the year, CRISIL provided technical assistance and training to Rating Agency Malaysia Berhad (RAM). It also gave assistance to MALLOT - the Israel Securities Rating Company Limited and agreed to provide training to its staff. CRISIL also received similar inquiries for technical assistance, from Indonesia, Sri Lanka and Pakistan.

iii) Stock Holding Corporation of India Limited (SHCIL)

There was substantial increase in the activities of the Stock Holding Corporation of India Ltd., (SHCIL) during the year 1991-92 (April-March)

with an emphasis on widening its network of clients. During 1991-92 the SHCIL processed business relating to purchases and sales of securities of the order of Rs.2,809.4 crore which represented an increase of 161.1 per cent over those in the previous year (Rs.1,076.0 crore). While the value of purchases processed at Rs.1,711.4 crore recorded a rise of 102.5 per cent, that of sales processed at Rs.1,098.0 crore registered an increase by more than 4.5 times. The share of sales in the total orders processed rose to 39.1 per cent in 1991-92 from 27.2 per cent in 1990-91, indicating a movement towards relative balance between purchases and sales.

SHCIL has been providing its services to ten organisation* consisting of financial institutions, insurance and investment companies.

During the year SHCIL was appointed sub-custodian by Morgan Stanley Luxembourg in respect of their off-shore fund schemes. As at end-March 1992, nine million scrips have been kept in its depository.

With the passing of the required legislation for Book-Entry Transfer System and Central Depository System, SHCIL would become the Central Securities Depository. Another important development is the admission of SHCIL as a participating member of the International Society for Securities Administrators (ISSA), a specialised agency for promoting the exchange of ideas among the global security administrators.

iv) Investment Information and Credit Rating Agency of India Limited (ICRA)

The Investment Information and Credit Rating Agency of India Limited (ICRA) was incorporated on January 16, 1991 as an independent and professional credit rating agency promoted by the Industrial Finance Corporation of India jointly with other leading investment institutions, commercial banks and financial service companies. The agency commenced its commercial activities with effect from September 1, 1991. The primary objective of ICRA is to provide guidance to investors/ creditors for determining the credit risk associated with a debt instrument/credit obligation.

During the seven months of its commercial operations (upto March 31, 1992), ICRA has rated 47 debt instruments worth Rs.1,161.8 crore of 24 companies (both manufacturing and financial companies). The credit ratings were in respect of 33 debenture issues (Rs.985.3 crore), 11 fixed deposit programmes (Rs.104.5 crore) and 3 commercial paper programmes (Rs.72 crore).

During April-June 1992, ICRA has rated debt instruments amounting to Rs.1,627.3 crore of 8 companies. These ratings were in respect of 5 debenture issues (Rs.1,575.1 crore) and one commercial paper programme (Rs.50.0 crore) of manufacturing companies and 3 fixed deposit programmes (Rs.2.2 crore) of finance companies.

v) Infrastructure Leasing and Financial Services Limited (IL&FS)

During the year under review, IL&FS was significantly associated with several Central and State Government Agencies in developing infrastructure projects in various sectors like roadways, power generation, telecommunication, water supply, sewage disposal, urban mass transport system, etc. Three infrastructure projects for which IL&FS has been mandated include (i) The Worli Sea Rock Link Bridge,Bombay (ii) The Yamuna Project linking NOIDA to New Delhi and (iii) Collaboration with Press Trust of India to develop an all-India communication network capable of supporting trading activities in various financial instruments and to provide focussed analysis of the news and events of commercial relevance for investors. The IL&FS continued its emphasis in the field of leasing assets which were related to infrastructure. In investment banking services, IL&FS has set up a specialised cell for corporate advisory services for its clients.

The IL&FS continues to maintain a modest presence in the broking market for equities, securities and bonds of public sector undertaking, etc.

* (1) Unit Trust of India, (2) Life Insurance Corporation f India, (3) General Insurance Corporation of India, (4) New India Assurance Company Ltd., (5) Oriental Insurance Company Ltd., (6) United India Insurance Company Ltd., (7) National Insurance Company Ltd., (8) L.I.C. Mutual Fund, (9) G.I.C. Mutual Fund and (10) SBI Mutual Fund.

Housing Finance

i)Housing and Urban Development Corporation (HUDCO)

During the year 1991-92 (April-March), HUDCO sanctioned and disbursed financial assistance of Rs.1,348.0 crore and Rs.834.0 crore, respectively, as compared to Rs.1,385.9 crore and Rs.735.0 crore, respectively, in 1990-91. There was thus a decline of 2.7 per cent in sanctions and a rise of 13.5 per cent in disbursements during the year. Cumulatively, till March 31, 1992, HUDCO has financed 8,701 projects with total projects cost of about Rs.10,854.0 crore with HUDCO's commitment of Rs.6,801.0 crore. Accordingly, the Corporation sanctioned finance for 52 lakh houses, of which 45.4 per cent were in rural areas. Cumulative disbursements as on March 31, 1992 aggregated Rs.4358.0 crore, of which Rs.1,885.0 crore have already been repaid by borrowing agencies. As much as 55 per cent of HUDCO's loans is earmarked for Economically Weaker Sections(EWS) and Low Income Groups(LIG's) besides 15 per cent for rural areas.

The Corporation was entrusted with the responsibility of financing urban infrastructure projects work. Therefore, the Corporation was given an equity of Rs.9.5 crore by the Government upto March 31, 1992. HUDCO's sanction for the period ended March 1992 for infrastructure projects stood at Rs.1,081.9 crore. Out of it, Rs.408.3 crore was sanctioned during the year 1991-92.

In accordance with the National Housing Policy, the major thrust of HUDCO's operations in coming years will continue to be in the sphere of shelter and shelter-related activities for the poorer section of the society.

HUDCO is the nodal agency for implementing the government programme for eliminating the inhuman practice of manual scavenging and converting dry latrines into waterseal pour flush latrines as also rehabilitating scavengers who may consequently be rendered jobless. Till March 31, 1992 loans amounting to Rs.115.5 crore have been sanctioned for this programme as against Rs.103.6 crore in the previous year.

HUDCO has launched a scheme for urban employment through housing and shelter upgradation in all cities and towns with population of 1 to 20 lakh, benefiting economically weaker section families. The outlay for 1991-92 was Rs.86.0 crore as institutional finance (HUDCO's loan will be upto Rs.3,150 per dwelling unit). Supplementing this is the subsidy from the Government of India and State Governments to the extent of Rs.1,000 per family. Loans under the scheme are available to urban local bodies, housing boards, slum boards and other similarly-specialised agencies or any other bodies approved by the State Government for shelter upgradation scheme.

HUDCO's loan commitment for the 'Night Shelter' till March 31, 1992 stood at Rs.5.4 crore for 25 Night Shelter schemes which will help in construction of 12,092 seats.

To improve the quality of construction and promoting technologies and building systems, and to improve the skills and economic condition of building artisans, the Ministry of Urban Development and HUDCO has launched a nation-wide programme for setting up 250 building centres all over the country. Till end-March 1992, 274 such centres were identified in different States, and 84 of them have become functional. The Ministry of Urban Development has been providing a grant of Rs.1 lakh through HUDCO to each building centre for the construction of shelter, procurement of equipment and training, etc., as against initial commitment of Rs.2 lakh for each building centre. In addition, HUDCO is initially providing a loan amount of Rs.4 lakh as working capital loan for each building centre.

ii) Housing Development Finance Corporation Limited (HDFC)

During the year 1991-92, loan approvals (sanctions) by HDFC at Rs.711.9 crore were lower by 12.5 per cent and disbursements at Rs.627.8 crore were lower by 6.1 per cent than that of the sanctions and disbursements during the previous year (Table IX-28). This is in contrast with the increase in loan approvals and disbursements by 35.0 per cent and 36.6 per cent,

Table IX-28 : Operations of Housing Development Finance Corporation Limited

(Rs. crore)

Items/(Year : April-March)	1989-90	1990-91	1991-92	Cumulative Sanctions/ Disbursements
1	2	3	4	5
Loan Approvals/Sanctions	603.0	813.8	711.9	3,615.0
Loan Disbursements	489.3	668.5	627.8	2,874.4
Housing loan outstanding (at the end of March)	1,221.8	1,726.9	2,129.9	
Investment outstanding (at the end of March)	114.1	144.7	322.5	

Source : Housing Development Finance Corporation Limited.

respectively, during 1990-91. The cumulative loan approvals and disbursements at end-March 1992 stood at Rs.3,615.0 crore and Rs.2,874.4 crore, respectively. The cumulative loan approvals were in respect of 6,10,000 units. The outstanding housing loans of HDFC went upto Rs.2,129.9 crore at end-March 1992, registering a rise of 23.3 per cent over end-March 1991.

Individual home ownership constituted 75 per cent of gross loan approvals and the remaining 25 per cent were for loans to corporate and institutional borrowers as well as to real estate developers through short term construction finance.

HDFC continued to direct some portion of its lending portfolio to assist lower income households. During 1991-92, HDFC provided financial assistance for low cost housing to Mathadi workers of the Grocery Markets and Shops Board for Greater Bombay. Similarly, HDFC financed beneficiaries through the Andhra Pradesh State Housing Corporation for construction of low cost housing. HDFC also assisted in the construction of 10,000 houses for poor households in rural areas under the "Ashraya" Housing Scheme in Karnataka.

The aggregate investment of HDFC stood at Rs.322.5 crore at end-March 1992 which was higher than the level of investment at end-March 1991 (Rs.144.7 crore).

During the year under review, HDFC augmented its resources by mobilising over Rs.268 crore through its various deposit schemes. This was perhaps, (mainly) due to the new thrust on mobilising retail deposits from households directly, since August 1991. HDFC received refinance of about Rs.129.0 crore from the National Housing Bank. The total funds raised through term loans and bonds amounted to around Rs.293 crore.

In addition to the above, under the line of credit from Kreditanstalt fur wiederaufbau (KfW) of Germany for financing low cost housing projects directed to economically weaker sections of households, a further sum of Rs.7.3 crore was received during the year. Approvals and disbursements under this line of credit were Rs.9.4 crore and Rs.4.5 crore, respectively, during the year.

HDFC and Habubank of Vietnam signed a Memorandum of Understanding on the parameters of technical assistance to be provided by HDFC through the Coalition of Housing Finance Institutions. The coalition includes besides HDFC, the Govrnment Housing Bank, Thailand; the Korea Research Institute for Human Settlements, Korea; and the National Home Mortgage Finance Corporation, Phillippines. The main aim of the Coalition is to develop a strong regional capability in Asia, through successful institutions, to provide technical assistance, research support and training

facilities towards more effective market oriented housing finance systems in the region. Pakistan, Bangladesh, Nepal, Sri Lanka and Mongolia have also sought regional support for the development of their own housing finance systems. The Coalition intends to work closely with and supplement the activities of the major inter-national development agencies working in shelter related activities in the region.

HDFC and the Industrial Promotion and Development Company of Bangladesh (the lead domestic sponsors of the Bangladesh Housing Finance Company) signed a Memorandum of Understanding to invest in the initial equity issue and to provide technical assistance and training support to the new company subject to necessary approvals being obtained by each institutions.

During the year, HDFC undertook a consultancy assignment in Maritius for reviewing the processing and administration of mortgage loans by the Mauritius Housing Corporation and to suggest alternative funding sources. HDFC was also invited by the Home Finance Company of Ghana to provide technical assistance and training for overall institutional development.

CHAPTER X

Developments in Foreign Trade

Overall Trends

Indian economy witnessed a striking improvement in trade balance during the fiscal year 1991-92 contributed mainly by a severe compression of imports. The adverse balance was the lowest in the decade of the eighties. Consequent upon the imposition of import compression measures, imports declined by 19.4 per cent in dollar terms during the year in sharp contrast to a rise of 13.2 per cent in 1990-91. The improvement in trade deficit would have been still more pronounced but for the negative growth in exports, albeit marginally, resulting mainly from the steep decline in exports to Rupee Payment Area (RPA). According to the data available from the Directorate General of Commercial Intelligence and Statistics (DGCI&S), the trade deficit declined sharply by about 74 per cent to $ 1,545 million in 1991-92 from $ 5,930 million in the previous year. The break-up of the total trade deficit into oil and non-oil components is quite revealing. Reflecting the severity of the import compression measures imposed by the Government and the Reserve Bank, 'non-oil deficit' which stood at $ 425 million in 1990-91 turned into a massive surplus of $ 3,394 million in 1991-92 (based on provisional data). 'Oil deficit,' on the other hand, declined by 10.1 per cent to $ 4,950 million in 1991-92 from $ 5,505 million in the previous year. Non-oil surplus moderated the total trade deficit during 1991-92. On payments basis too, (quick estimates of balance of payments data), the trade deficit stood at $ 3,078 million in 1991-92 which was less than one-half of that in the previous year. In 1991-92, exports at $ 17,866 million recorded a marginal decline of 1.5 per cent in sharp contrast to a rise of 9.1 per cent in 1990-91 and 11.0 per cent during the Seventh Five Year Plan. Imports at $ 19,411 million represented a decline of 19.4 per cent during 1991-92 in sharp contrast to a rise of 13.2 per cent in 1990-91 and 8.1 per cent during the Seventh Plan period.

In Rupee terms, the growth rate of exports accelerated strikingly from 17.6 per cent in 1990-91 to 35.3 per cent in 1991-92 reflecting the impact of downward adjustments in the external value of the rupee effected in July 1991. Imports recorded a moderate growth rate of 10.8 per cent in 1991-92 on top of a rise of 22.0 per cent in the previous year. Acceleration in export growth coupled with a moderate rise in imports resulted in a massive shrinkage of trade deficit by Rs. 6,831 crore to Rs. 3,809 crore in 1991-92 from Rs. 10,640 crore in 1990-91.

In terms of SDR, exports expanded fractionally by 0.6 per cent in 1991-92 as against a rise of 1.1 per cent in the previous year. Imports, which registered a modest rise of 4.9 per cent in 1990-91, recorded a negative growth of 17.7 per cent in 1991-92. As a result, the trade deficit declined by SDR 3,142 million to SDR 1,140 million in 1991-92 mainly due to severe import compression (Table X-1).

Trade with Rupee Payment Area (RPA) and the General Currency Area (GCA)

Exports to the General Currency Area (GCA) at $ 16,068 million represented a decelerated rate of growth of 6.6 per cent as against a growth rate of 11.5 per cent in the previous year. This deceleration may be attributed to the squeeze on imported inputs and the world recession. There was a decline in the volume growth world trade from 6.8 per cent in 1989 to 3.9 per cent in 1990 and

Table X-1 : INDIA'S FOREIGN TRADE

Year	In Rs. Crore			In U.S. $ million			In SDR million		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
1	2	3	4	5	6	7	8	9	10
1989-90 (P)	27,681	35,412	−7,730	16,626	21,269	−4,643	12,954	16,572	−3,618
	(36.5)	(27.9)		(18.7)	(11.2)		(23.0)	(15.3)	
1990-91 (P)	32,527	43,171	−10,644	18,128	24,060	−5,932	13,090	17,373	−4,283
	(17.5)	(21.9)		(9.0)	(13.1)		(1.0)	(4.8)	
1991-92 (P)	43,978	47,813	−3,835	17,840	19,396	−1,556	13,154	14,301	−1,147
	(35.2)	(10.8)		(-1.6)	(-19.4)		(0.5)	(-17.7)	
1989-90	27,681(P)	35,416(PR)	−7,735	16,626	21,272	−4,646	12,954	16,574	−3,620
	(36.8)	(25.4)		(19.0)	(9.1)		(23.3)	(13.1)	
1990-91	32,553	43,193	−10,640	18,143	24,073	−5,930	13,100	17,382	−4,282
	(17.6)	(22.0)		(9.1)	(13.2)		(1.1)	(4.9)	
1991-92	44,042	47,851	−3,809	17,866	19,411	−1,545	13,173	14,313	−1,140
	(35.3)	(10.8)		(-1.5)	(-19.4)		(0.6)	(-17.7)	

Note : Figures in brackets relate to percentage variation over the previous year.
PR : Partially Revised
P : Provisional
Source : D.G.C.I. & S.

TABLE X-2 : INDIA'S FOREIGN TRADE – RPA AND GCA

Year	RPA			GCA			Total		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
1	2	3	4	5	6	7	8	9	10
				Rupees Crore					
1988-89	3,162	1,655	+1,507	17,070	26,580	−9,510	20,232	28,235	−8,003
	(29.4)	(-12.2)		(29.0)	(30.6)		(29.1)	(26.9)	
1989-90	5,173	[illegible]	+2,494	22,508	32,737	−10,229	27,681(P)	35,416(PR)	−7,735
	(63.6)			(31.9)	(23.2)		(36.8)	(25.4)	
1990-91	5,507		+2,638	27,046	40,324	−13,278	32,553	43,193	−10,640
	(6.5)			(20.2)	(23.2)		(17.6)	(22.0)	
1991-92	4,433		+2,463	39,609	45,881	−6,272	44,042	47,851	−3,809
	(-19.5)	(-[illegible])		(46.5)	(13.8)		(35.3)	(10.8)	
				US $ million					
1988-89	2,183	1,143	+1,041	11,787	18,354	−6,567	13,971	19,497	−5,526
	(15.8)	(-21.4)		(15.5)	(16.9)		(15.6)	(13.6)	
1989-90	3,107	1,609	+1,498	13,519	19,663	−6,144	16,626	21,272	−4,646
	(42.3)	(40.8)		(14.7)	(7.1)		(19.0)	(9.1)	
1990-91	3,069	1,599	+1,470	15,073	22,474	−7,400	18,143	24,073	−5,930
	(-1.2)	(-0.6)		(11.5)	(14.3)		(9.1)	(13.2)	
1991-92	1,798	799	+999	16,068	18,612	−2,544	17,866	19,411	−1,545
	(-41.4)	(-50.0)		(6.6)	(-17.2)		(-1.5)	(-19.4)	

Note : (1) Final data for the year 1989-90 are not available from D.G.C.I. & S.
(2) Figures in brackets represent percentage variation over the previous year.
(3) Till 1989-90 five countries were included in RPA countries, viz., USSR, Romania, Czechoslovakia, GDR and Poland. Since 1990-91, the first three of the countries mentioned above were included.
(4) PR – Partially Revised.
(5) P – Provisional.
Source : D.G.C.I. & S.

further to 2.3 per cent in 1991. Exports to the Rupee Payment Area (RPA) declined by 41.4 per cent in dollar terms and by 19.5 per cent in rupee terms during 1991-92. What is more, there was a shortfall of 44.4 per cent in the total trade turnover (exports plus imports) with the RPA in dollar terms during 1991-92 over the level prevailing in the previous year. Exports to RPA was adversely affected by the disruption of trade resulting from the disintegration of the erstwhile USSR. The erstwhile USSR accounted for about 95 per cent of the total trade turnover between India and the three countries under RPA, viz., the erstwhile USSR, Czechoslovakia and Romania.

Imports from GCA in dollar terms declined by 17.2 per cent in 1991-92 in sharp contrast to a rise of 14.3 per cent in the previous year. There was a steep decline by 50.0 per cent in imports from RPA during the year on top of a fractional decline of 0.6 per cent in the previous year (Table X-2).

Trade during Eighth Five Year Plan

The Current Account Deficit (CAD) as a proportion of GDP is projected to decline to 1.6 per cent during the Eighth Five Year Plan (1992-97) from 2.4 per cent in the Seventh Plan. The Eighth Five Year Plan envisages a significant improvement in export performance with a view to containing the current account deficit to a low level. Exports are, therefore, projected to grow at 13.6 per cent per annum in volume terms in the Eighth Plan period. Total exports of goods during the Eighth Plan are projected at Rs. 330,153 crore (at 1991-92 prices). Manufactured goods will account for 76 per cent of total exports while the primary commodities would constitute only 19 per cent. Amongst primary commodities, the bulk of export earnings will be from the incremental exports of marine products, oil cakes, rice, fruits, vegetables, cashew kernels, miscellaneous processed foods, sugar and spices. Among the manufactured products, the focus will be on the products of handicrafts, gems and jewellery, readymade garments, engineering goods, basic chemicals, leather and leather manufactures, cotton yarn and fabrics. The share of exports in GDP is projected to increase to 9.6 per cent during the Eighth Plan as against an average of 5.2 per cent in the Seventh Plan period.

The total import bill during the Eighth Plan has been estimated at Rs. 399,650 crore (at 1991-92 prices). The Eighth Five Year Plan envisages an import growth of 8.4 per cent per annum. The projection is based upon long-term trends and import to GDP elasticity of 1.5. Import requirements of major export-oriented commodities have been estimated on the basis of the import intensity of the items and their export targets for the Eighth Five Year Plan. The projected imports would account for 11.6 per cent of GDP during Eighth Plan as against an average of 8.3 per cent in the Seventh Plan.

Exports

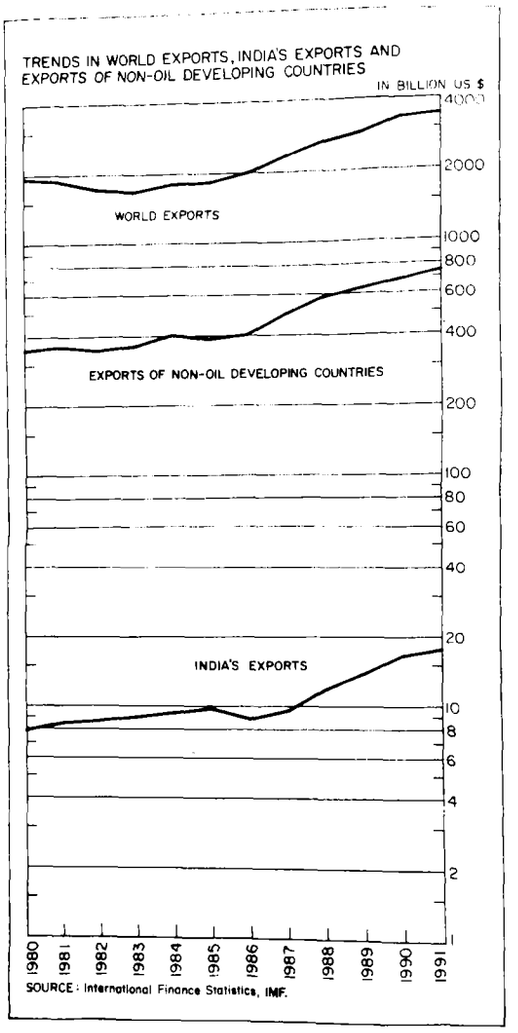
The beginning of the 1990s experienced a downward shift in the rate of growth of exports compared with the growth rate witnessed during the last four years of the eighties. During 1990-91, the growth rate of exports declined to 17.6 per cent in rupee terms and 9.1 per cent in dollar terms as compared with increase of 36.8 per cent and 19.0 per cent, respectively, during the previous year. The turnaround was witnessed in 1991-92 when exports showed a negative growth rate of 1.5 per cent in dollar terms, although in rupee terms they increased by 35.3 per cent due to exchange rate changes. In SDR terms, exports recorded a rise of only 0.6 per cent during 1991-92 as against a rise of 1.1 per cent and 23.3 per cent during 1990-91 and 1989-90, respectively.

The shortfall in exports during 1991-92 can be explained by a host of internal and external factors. Among internal factors, the imposition of severe import compression measures, reflected in a sharp decline in imports by 19.4 per cent in dollar terms during 1991-92, as well as tight monetary policy had an important bearing on exports. The general uncertainty on the economic front prevailing in the beginning of the year and expectations of a reduction in customs tariff before 1992-93 Central Budget contributed to an overall slowdown in foreign trade activity. Near-stagnation in industrial production and double-digit inflation further contributed to a decline in exports. Among the

external factors, the break-up of the former Soviet Union and consequent disruption of exports to the RPA hindered exports to such an extent that they declined by 41.4 per cent (in dollar terms) during 1991-92 resulting in a negative growth rate of 1.5 per cent in aggregate exports. Other external factors related to recessionary conditions in major developed countries, viz., the USA, the UK, Australia and Canada and a slowdown in the expansion of world trade.

The shortfall in exports when viewed in the light of compression in imports during 1991-92 reflects the increased capacity of exports to finance imports (export-import ratio) which increased substantially to 92.0 per cent during 1991-92 as against 75.4 per cent in 1990-91 and 78.2 per cent in 1989-90. Further, despite the dismal performance of exports during 1991-92, manufactured goods contributed positively with 1.4 per cent increase (in dollar terms), thereby increasing its share in total exports to 74.5 per cent during 1991-92 from 72.3 per cent in the previous year. In rupee terms, the contribution of manufactured exports to the incremental exports increased to 80.6 per cent during 1991-92 as compared with 66.5 per cent in the previous year. Amongst the manufactured products, the growth of exports in dollar terms have been concentrated mainly in three goods during 1991-92, viz., chemicals and allied products (14.1 per cent), cotton yarn, fabrics and made-ups (11.2 per cent) and natural silk yarn, fabrics and made-ups (7.5 per cent). Other manufactured goods suffered a decline (Table X-3 and Table X-4).

The deceleration in exports has to be viewed in the context of the persistence of declining trend in world exports. Despite the low share of Indian exports in world trade, variations in world demand appeared to have strongly influenced the growth of Indian exports, especially those of manufactures. In terms of dollar, world exports recorded a growth rate of 3.3 per cent in 1991 as against 14.5 per cent in 1990 and 7.9 per cent in 1989; the respective export figures for non-oil developing countries were 8.2 per cent, 8.4 per cent and 8.8 per cent. These developments have to be viewed against the continuing recessionary tendency in the major advanced countries such as the U.S.A., the U.K. and the continuation of economic and social



restructuring process in the countries of Central and Eastern Europe and the former Soviet Union.

The Eighth Five Year Plan envisages boosting exports as a key element of the foreign trade strategy. Exports are projected to grow at 13.6 per cent per annum in volume terms. Some important primary commodities for which a high rate of growth is projected for the Eighth Five Year Plan period are agricultural and allied products (9.4 per cent), of which cashew kernels (9.4 per cent), marine products (8.6 per cent), oil cakes (7.5 per cent), rice (8.3 per cent), meat and meat preparations (8.9 per cent), fruits and vegetables (10.4 per cent), sugar and molasses (50.2 per cent) and miscellaneous processed foods (16.1 per cent). Since marketing is not a major problem for the exports of these commodities, availability of marketable surplus for exports has been the main

Table X-3 :INDIA'S EXPORTS BY MAIN SUB-GROUPS

(US $ million)

Commodity Group	1980-81	1984-85	1989-90 (P)	1990-91	1991-92 (P)	Annual Compound Growth Rates (per cent) 1980-81 to 1989-90	1980-81 to 1984-85	1985-86 to 1989-90	Percentage change of (6) over (5)
1	2	3	4	5	6	7	8	9	10
I. Agricultural and allied products	2,507	2,520	2,745	3,355	3,098	0.4	−1.0	1.7	−7.6
	(33.5)	(25.5)	(16.5)	(18.5)	(17.4)				
of which :									
i) Agro-based products	2,208	2,118	2,264	2,741	2,447	−0.1	−1.6	1.3	−10.7
	(29.5)	(21.4)	(13.6)	(15.1)	(13.7)				
ii) Marine products	237	333	413	535	557	3.0	1.6	4.4	4.2
	(3.2)	(3.4)	(2.5)	(2.9)	(3.1)				
iii) Meat and meat preparations	61	70	68	78	94	3.1	6.6	−0.4	20.1
	(0.8)	(0.7)	(0.4)	(0.4)	(0.5)				
II. Ores and minerals	460	540	829	970	925	5.5	2.2	8.9	−4.6
	(6.1)	(5.5)	(5.0)	(5.3)	(5.2)				
III Petroleum and petroleum products	28	1,529	419	523	415	33.4	130.6	−22.8	−20.7
	(0.4)	(15.5)	(2.5)	(2.9)	(2.3)				
IV. Manufactured Goods	4,407	5,224	12,199	12,996	13,137	10.0	2.1	18.5	1.1
	(58.9)	(52.9)	(73.4)	(71.6)	(73.6)				
V. Others	81	65	434	299	291	24.9	6.6	46.3	−2.8
	(1.1)	(0.7)	(2.6)	(1.6)	(1.6)				
VI. Total	7,483	9,878	16,626	18,143	17,866 *	7.7	4.5	11.0	−1.5

Note : Figures in brackets represent percentages to total exports.
* : Total for 1991-92 is final.
P : Provisional.
Source : D.G.C.I. & S.

Table X-4 : INDIA'S EXPORTS OF PRINCIPAL COMMODITIES

Commodity Group	In Rs. crore					Percentage variation		In US $ million					Percentage variation	
	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)	(5)/(4)	(6)/(5)	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)	(12)/(11)	(13)/(12)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
I. Primary Products	4,098	4,696	5,951	7,759	9,919	30.4	27.8	3,161	3,243	3,574	4,324	4,024	21.0	−7.0
	(26.1)	(23.2)	(21.5)	(23.8)	(22.6)			(26.1)	(23.2)	(21.5)	(23.8)	(22.6)		
A. Agriculture & Allied Products	3,320	3,510	4,571	6,019	7,638	31.7	26.9	2,561	2,418	2,745	3,354	3,098	22.2	− 7.6
	(21.2)	(17.3)	(16.5)	(18.5)	(17.4)			(21.2)	(17.3)	(16.5)	(18.5)	(17.3)		
Of which :														
Tea	601	609	905	1,070	1,132	18.2	5.8	464	421	544	596	459	9.6	−23.0
Coffee	262	294	343	252	310	−26.5	23.0	202	203	206	140	126	−32.0	−10.0
Rice	339	331	426	462	755	8.5	63.4	261	229	256	257	306	0.4	19.1
Cotton raw (incl. waste)	110	21	128	846	316	560.9	−62.6	85	15	77	471	128	513.3	−72.8
Tobacco	135	126	175	263	377	50.3	43.3	104	87	105	147	153	39.5	4.1
Cashew kernels	311	174	365	441	668	20.8	51.5	240	120	219	246	271	12.2	10.2
Spices	337	275	247	234	370	-5.3	58.1	260	190	148	130	150	−12.2	15.4
Oil meals	213	409	546	608	871	11.4	43.3	164	282	328	339	353	3.4	4.1
Fruits and Vegetables	128	170	208	213	349	2.4	63.8	99	117	125	119	142	−4.4	19.3
Processed fruits, juices & misc. processed items	174	177	160	213	332	33.1	55.9	134	122	96	119	135	23.5	13.5
Marine Products	533	630	687	960	1,374	39.7	43.1	411	435	413	535	557	29.7	4.1
Sugar & molasses	12	10	32	38	144	18.8	278.9	9	7	19	21	58	10.5	176.2
Meat & preparations	88	94	114	140	231	22.8	65.0	68	65	68	78	94	14.0	20.5
B. Ores & Minerals	778	1,195	1,380	1,740	2,281	26.1	31.1	600	825	829	970	925	17.0	−4.6
	(5.0)	(5.9)	(5.0)	(5.3)	(5.2)			(5.0)	(5.9)	(5.0)	(5.3)	(5.2)		
Of which :														
Iron ore	554	673	928	1,049	1,432	13.0	36.5	427	465	557	585	581	4.9	−0.6
Mica, coal and other ores & minerals	224	522	452	691	849	52.9	22.9	173	360	271	385	344	41.9	−10.6

Table X-4 : INDIA'S EXPORTS OF PRINCIPAL COMMODITIES (Concld.)

Commodity Group	In Rs. crore					Percentage variation		In US $ million					Percentage variation	
	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)	(5)/(4)	(6)/(5)	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)	(12)/(11)	(13)/(12)
1	2	3	4	5	6		8	9	10	11	12	13	14	15
II. Manufactured Goods	10,626	14,641	20,310	23,319	32,384	14.8	38.9	8,195	10,110	12,199	12,996	13,137	6.5	1.1
	(67.8)	(72.4)	(73.4)	(71.6)	(73.5)			(67.8)	(72.4)	(73.4)	(71.6)	(73.5)		
Of which :														
Leather & manufactures	1,250	1,522	1,951	2,566	3,076	31.5	19.9	964	1,051	1,172	1,430	1,248	22.0	−12.7
Chemicals & allied products	736	1,179	1,981	2,345	3,677	18.4	56.8	568	814	1,190	1,307	1,492	9.8	14.1
Engineering goods	1,494	2,319	3,321	3,809	5,107	14.7	34.1	1,152	1,601	1,995	2,123	2,072	6.4	- 0.4
Readymade garments	1,820	2,102	3,224	4,012	5,411	24.4	34.9	1,404	1,451	1,936	2,236	2,195	15.5	−1.8
Cotton yarn, fabrics, made-ups	1,145	1,155	1,480	2,100	3,209	41.9	52.8	883	798	889	1,170	1,302	31.7	11.2
Natural silk yarn, fabrics, made-ups	138	185	205	235	347	14.6	47.7	106	128	123	131	141	6.4	7.5
Jute manufactures	241	233	297	298	388	0.3	30.2	186	161	178	166	157	−6.9	−5.2
Coir & manufactures	30	32	41	48	70	17.1	45.8	23	22	25	27	28	8.6	6.1
Handicrafts	3,167	5,103	6,285	6,167	8,346	−1.9	35.3	2,443	3,524	3,775	3,437	3,386	−9.0	−1.5
Of which :														
Gems & Jewellery	2,613	4,392	5,296	5,247	6,750	−0.9	28.6	2,015	3,033	3,181	2,924	2,738	−8.1	−6.4
Carpets (Handmade)	328	413	586	519	1,000	−11.4	92.7	253	285	352	289	406	−17.8	40.2
Works of art	226	298	403	402	596	−0.2	48.3	174	206	242	224	242	−7.4	7.9
III. Petroleum Products	649	505	697	938	1,022	34.6	9.0	501	349	419	523	415	24.9	−20.7
	(4.1)	(2.5)	(2.5)	(2.9)	(2.3)			(4.1)	(2.5)	(2.5)	(2.9)	(2.3)		
IV. Others	301	389	723	537	717	−25.7	33.5	232	269	434	299	290	−31.1	−2.7
	(1.9)	(1.9)	(2.6)	(1.6)	(1.6)			(1.9)	(1.9)	(2.6)	(1.6)	(1.6)		
Total Products	**15,674**	**20,232**	**27,681**	**32,553**	**44,042** *	**17.6**	**35.3**	**12,089**	**13,970**	**16,626**	**18,143**	**17,866** *	**9.1**	**—1.5**

Note : Figures in brackets relate to percentage to total exports.
P : Provisional.
* : Total for 1991-92 is final.
Source : D.G.C.I. & S.

consideration in making the projections. Manufactured goods are projected to grow at 15 per cent per annum during the Plan period, of which, the promising ones are cotton yarn, fabrics and manufactures (12.9 per cent), readymade garments (16.4 per cent), leather and leather manufactures (12.2 per cent), engineering goods (15.0 per cent), chemical and allied products (14.9 per cent) and gems and jewellery (16.8 per cent). In the longer term, the Eighth Plan envisages the export of bulk commodities like sugar, cement and steel, in contrast to traditional goods which are the mainstay of exports at present. As large investments have been made in capacity creation and modernisation of these industries, it is high time that a beginning in the exports of these commodities is also made.

Commodity-wise Review

Manufactured Goods

Though *manufactured goods* recorded a positive growth rate of 1.1 per cent in dollar terms during 1991-92, despite the fall in overall exports, their growth rate declined substantially from 20.7 per cent in 1989-90 to 6.5 per cent in 1990-91. However, in rupee terms, exports of manufactured goods at Rs. 32,384 crore during 1991-92 increased by 38.9 per cent as compared with an increase of 14.8 per cent in the previous year. The bulk of manufactured exports consist of six commodities, viz., leather and leather manufactures, chemical and allied products, engineering goods, readymade garments, cotton yarn, fabrics, made-ups, etc., and gems and jewellery, which accounted for 84.3 per cent of total manufactured goods exports and 62.8 per cent of total exports during 1991-92.

Exports of *leather and leather manufactures* declined by 12.7 per cent to $ 1,248 million during 1991-92 in sharp contrast to a rise of 22.0 per cent in the previous year. In rupee terms, these exports increased by 19.9 per cent in 1991-92 on top of a rise of 31.5 per cent in the preceding year. The fall in exports in dollar terms is mainly due to a sharp drop in exports of finished leather and footwear components. The drop in footwear components is attributed mainly to the break-up of the former USSR, which accounted for a major share of shoe-upper exports from India, and decline in footwear production in Europe, besides recession in developed countries which affected the sector as a whole, including leather garments. The major competitors of India in the global markets are Italy, Brazil and Spain for dresses and shoes and South Korea, Taiwan, Hongkong and China for sports shoes and other casual footwear. The major markets identified as thrust areas for leather footwear are the USA, Germany, the UK, France, Japan and Australia.

The main impediments in the way of a rapid growth of leather industry are shortage of skilled manpower, lack of components industry within the country, delay in clearance of imported consignments, lack of designs and product development possibilities within the country and restrictions on the import of capital goods which hampered the expansion and modernisation programmes. Like most export-oriented industries, input causes a serious problem. The domestic supply of leather lacks in both quantity and quality. The availability of finished leather for manufactures is limited by the fact that much of this is exported. Production is predominantly concentrated in small-scale units.

Exports of *chemicals and allied products* increased by 14.1 per cent to $ 1,492 million during 1991-92 as against an increase of 9.8 per cent in the previous year. In rupee terms, exports touched Rs. 3,677 crore representing an increase of 56.8 per cent as compared with 18.4 per cent during 1990-91. In fact, chemicals and allied products recorded the highest export growth in dollar terms amongst the category of manufactured goods, excepting handmade carpets. Amongst the chemicals and allied products, pharmaceutical exports continued to perform well with bulk drugs far outpacing the growth of formulation exports. The share of drugs and pharmaceutical exports in India's total basic chemicals and allied product exports stood at 42.4 per cent during 1991-92. The major markets for bulk drugs are the former USSR, the USA, the UK, France, Japan and Italy, and for finished formulations the developing countries of South-East Asia, Africa, Middle-East and the former USSR.

Exports of *engineering goods*, which formed nearly 12.5 per cent of India's total exports during 1991-92 declined by 0.4 per cent to $ 2,242 million as compared with an increase of 12.8 per cent during the previous year. In rupee terms, these exports increased by 36.9 per cent in 1991-92 as against 21.6 per cent in the previous year. The main items under this category are manufactures of metals, machinery and instruments, machine tools, transport equipments, iron and steel and project goods, of which, the first three accounted for 77 per cent of the exports of engineering goods during 1991-92. Capital goods and consumer durables once again emerged as the important sub-groups in the entire basket of engineering exports, constituting around three-fourth of their total exports. Exports of project goods more than doubled from Rs. 1,612 crore in 1990-91 to Rs. 3,306 crore in 1991-92.

The main markets for export of *engineering goods* were the former USSR, the USA and the UK. Although the former USSR was still the biggest market for engineering goods, its share dropped drastically during 1991-92 compared with the previous year. The USA retained its position as the second largest market. The other new markets are Bangladesh, Singapore, Germany, Italy, France, Japan, Sri Lanka and the UAE. Exports to the Gulf region also picked up which suffered a severe setback as a result of the Gulf-war. Since the domestic market for engineering goods has been growing, exports as a proportion of total production have remained low. However, the liberalisation of the domestic economy to integrate it with the world economy is expected to go a long way in boosting exports.

Exports of *readymade garments* at $ 2,195 million declined by 1.8 per cent during 1991-92 as compared with an increase of 15.5 per cent in the previous year. However, in rupee terms, export of readymade garments increased by 34.9 per cent to Rs. 5,411 crore in 1991-92 as against an increase of 24.4 per cent in the preceding year. The major categories of exports of readymade garments include those of cotton (Rs. 3,748 crore), silk (Rs. 286 crore), manmade fabrics (Rs. 1,026 crore), wool (Rs. 104 crore) and other textile material (Rs. 248 crore). The depressed market conditions for garments in the USA, Western Europe and the break-up of the former USSR had a role to play in the sluggish performance of this sector. India has bilateral agreements with the USA, EEC, Canada, Norway, Finland and Austria under the Multifibre Arrangement (MFA) and nearly 75 per cent of her exports find their way to these countries. Nevertheless, the quota restrictions under the MFA are perhaps the biggest problem confronting the exporters as many of them are left with no alternative but to buy quotas from the market at a premium which adds considerably to the costs. This sector is the second largest gross foreign exchange earner after gems and jewellery. Indian garment exporters are facing stiff competition from countries like Bangladesh, Pakistan, Indonesia and China.

The Government launched two new schemes to boost textile exports to the non-quota countries. The Long-Term Textile Export Entitlement Distribution Policy, 1991-93 was amended by providing 3 per cent out of the 8 per cent of non-quota exporter entitlement system for non-quota handloom exporters. Also, 3 per cent of annual quota shall be allocated under the powerloom exporter entitlement system to the powerloom sector. Further, textile machinery items were taken out of the negative list, second hand textile machinery items were allowed to be imported and capital goods imports were relaxed. The Government also raised the duty drawback rates for garments and effected reduction in the customs duty on trimming and embellishments. In the context of MFA quotas imposed by EEC and the USA, policies relating to the allocation of these quotas among Indian exporters have acquired particular significance. In the quota for garments (1991-93), the Textile Ministry has introduced a number of measures. The quota for manufacturer-exporters has been raised, while that based on past performance and for first-come first-served category has been reduced.

Exports of *cotton yarn, fabrics and made-ups* witnessed an increase of 11.2 per cent in dollar terms to $ 1,302 million during 1991-92 as compared with 31.7 per cent in the previous year. In rupee terms, the increase in these exports was by 52.8 per cent during 1991-92 to Rs. 3,209 crore

Table X-5 : INDIA'S EXPORTS OF PRINCIPAL COMMODITIES - VOLUME

(Quantity)

Commodity Group	Unit of Quantity	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)
1	2	3	4	5	6	7
A. Agriculture & Allied Products						
Of which :						
Tea	Mill. Kgs.	206.1	193.7	211.4	199.1	200.7
Coffee	Mill. Kgs.	91.6	84.3	115.6	86.5	90.8
Rice	Thou. Tons	388.8	349.6	421.7	505.0	711.4
Cotton raw (incl. waste)	Thou. Tons	80.3	16.6	53.1	374.4	101.3
Tobacco	Mill. Kgs.	72.2	54.6	70.7	87.1	83.7
Cashew kernels	Thou. Tons	35.9	34.0	45.8	49.8	64.7
Spices	Thou. Tons	91.8	104.6	112.1	103./0	148.8
Oil meals	Thou. Tons	1,126.5	1,609.3	33,230.6	2,447.8	2,684.6
Marine Products	Thou. Tons	98.4	115.6	124.9	158.9	180.2
Sugar & molasses	Thou. Tons	18.7	102.8	158.9	191.0	415.6
B. Ores & minerals						
Of which :						
Iron ore	Mill. Tons	29.4	33.0	35.6	32.5	29.3
Mica	Mill. Kgs.	37.6	47.1	37.9	42.0	33.5
Coal	Thou. Tons	150.2	166.4	223.2	411.8	303.1
II. Manufactured Goods						
Of which :						
Inorganic, organic and agro chemicals	Mill. Kgs.	61.8	107.7	91.0	137.1	184.4
Iron and steel	Thou. Tons	71.4	109.6	176.6	1,164.7	287.3
Jute manufactures	Lakh Tons	2.6	2.1	2.8	2.2	2.9

P : Provisional
Source : D.G.C.I. & S.

as against 41.9 per cent last year. The increase in exports of cotton yarn is attributed mainly to the adjustments in the exchange rates, though marginal increase in the volume of exports did take place. It may be noted that cotton yarn exports from India are allowed within a limited ceiling prescribed by the Government on an annual basis. Fluctuations in cotton prices act as a deterrent to its exports. The USA is the largest buyer of cotton yarn from India. Other important buyers include, among others, Bangladesh, the UK, Japan, Italy, Germany, Hongkong and Thailand.

The Government took several measures to step-up textile exports. Rationalisation of duty structure on various types of yarns and fibres was effected in the Union Budget for 1992-93. Excise duty on cotton, blended and viscose yarns was raised and, at the same time, duty on polyester and nylon filament yarns was brought down to reduce the wide gap between the duty structure on these two sectors. The multiplicity of rates was reduced by having only five duty slabs on cotton yarn and three for cellulosic spun yarn. Other measures relate to allowing import of sophisticated textile machinery at concessional duty for modernising production facilities, fixing of minimum export price in respect of textile items which were subject to quantitative restrictions in importing countries in terms of convertible currencies, enhancing and liberalising REP Scheme and holding buyer-seller meets and study tours to foreign markets to popularise Indian textile products.

Gems and jewellery is the largest gross foreign exchange earner among all export items. Exports of gems and jewellery declined for the second year in dollar terms by 6.4 per cent to $ 2,738 million during 1991-92 on top of a decline of 8.1 per cent in the previous year. In rupee terms, exports of gems and jewellery increased by 28.6 per cent to Rs. 6,750 crore during 1991-92 as compared with a marginal decline of 0.9 per cent during 1990-91 (Table X-4). India's share in world gold jewellery market is a mere 0.1 per cent. Increasing competition from countries like China, Sri Lanka, Thailand, Malaysia, Indonesia, Belgium and Israel is being viewed as a real threat to exports of gems and jewellery from India. One of the primary reasons for the continuing decline in the exports of this group is the recession in the USA, the main customer of cut and polished diamonds. The net foreign exchange earnings of this group stood at 28.6 per cent of the total exports during 1991-92, almost the same level as in the previous year.

The Government has adopted an extremely liberal attitude in facilitating access to imports for this group which is highly import-intensive. The Government had earlier removed the Gold Control Act and has now allowed Non-Resident Indians (NRIs) to import gold up to five kilograms per person to augment the supply of gold in the domestic market. Two new schemes were introduced to boost exports of gold plain/studded jewellery during the year under review which permit the direct import of gold of 0.995 fineness on post-export basis on replenishment and also in advance under gold import licences. Further, the Reserve Bank of India permitted diamond exporters to effect sales on the basis of 120 days credit instead of 90 days hitherto.

Agricultural Products

During 1991-92, exports of *agricultural and allied products* declined by 7.6 per cent in dollar terms to $ 3,098 million as against an increase of 22.2 per cent in the previous year. However, in rupee terms, exports increased by 26.9 per cent on top of a rise of 31.7 per cent in the previous year. The share of agricultural and allied products in total exports declined to 17.3 per cent from that of 18.5 per cent during 1990-91 largely due to sharp fall in dollar terms of exports of tea (-23.0 per cent), coffee (-10.0 per cent) and raw cotton (-72.8 per cent). The agriculture based commodities which registered higher growth rates during 1991-92 are rice (19.1 per cent), fruits and vegetables (19.3 per cent), processed fruits, juices and miscellaneous processed items (13.4 per cent), sugar and molasses (176.2 per cent) and meat and preparations (20.5 per cent).

Exports, of *tea* from India during 1991-92 were estimated to be 200.7 million kgs. valued at Rs. 1,132 crore with a unit value realisation of Rs. 56.4 per kg. During 1990-91 exports of tea stood at 199.1 million kgs. valued at Rs. 1,070

crore with unit value realisation of Rs. 53.70 per kg. In dollar terms, exports of tea declined by 23.0 per cent during 1991-92 in sharp contrast to a rise of 9.6 per cent in the previous year. Increase in domestic demand for tea and the consequent increase in the price of tea in the domestic market vis-a-vis the international prices have been responsible for the present near-stagnating trend for Indian tea exports in the international market. Decline in exports of tea to the former USSR from 55.8 per cent of total tea exports during 1990-91 to 43.8 per cent during the year under review, acted as a further contributory factor. Indian tea industry faces stiff competition from Sri Lanka, Kenya and China. As regards direction of tea exports, the former USSR accounted for 43.8 per cent of the total earning and the UK for 12 per cent. Other major markets for tea included Iran (9.3 per cent), Egypt (3.2 per cent), Germany (5.2 per cent) and Poland (4.0 per cent).

A number of steps were undertaken to encourage tea exports during 1991-92. The exports of value-added tea, i. e., packet tea, tea bags, instant tea and quick brewing black tea, identified by the Government as thrust items, have been encouraged by various promotion programmes launched by the Tea Board such as *uni-national promotional campaign* in Egypt and Saudi Arabia, special promotional campaign for Darjeeling tea, viz., Darjeeling Logo and Assam Logo. These promotional activities are carried out through the Board's foreign offices located in London, Brussels, New York and Dubai. The Government undertook four-pronged measures to arrest the sharp decline in exports of tea, viz., enhancing production and productivity to increase availability for exports, adjustments in the exchange rate of the rupee which have made tea exports more competitive, providing Eximscrips against exports to encourage exports of tea and promotion of Indian tea through the foreign offices and participation in trade fairs.

Exports of *coffee* declined by 10.0 per cent in dollar terms for the second year in succession to $ 126 million during 1991-92 on top of a decline of 32.0 per cent in the previous year. In rupee terms, exports rose by 23.0 per cent to Rs. 310 crore during 1991-92 as compared with a decline of 26.5 per cent in 1990-91. In volume terms, exports at 90.8 million kgs. during 1991-92 increased by 5.0 per cent from 86.5 million kgs. in the previous year. As a result, the unit value realisation of exports of coffee increased from Rs. 29.1 per kg. during 1990-91 to Rs. 34.1 per kg. during 1991-92. India's share in world coffee exports was 2.7 per cent.

The main problem facing coffee exports in the world market is persistent downward slide in prices ever since the collapse of the International Quota System in 1989. Major markets for Indian coffee during 1991-92 were the former Soviet Union (34.7 per cent), Czechoslovakia (9.7 per cent), Italy (9.6 per cent), Germany (9.3 per cent) and the USA (7.5 per cent).

Exports of *rice* at 711.4 thousand tonnes valued at Rs. 755 crore during 1991-92 increased substantially by 63.4 per cent on top of an increase of 8.5 per cent during the previous year. In volume terms, exports of rice increased by 40.9 per cent during 1991-92 and unit value realisation was at Rs. 10,613 per tonne during the same period. Exports of rice rose even in dollar terms by 19.1 per cent during 1991-92 as compared with a marginal increase of 0.4 per cent in the previous year. The adjustments in the exchange rate of rupee, attractive premium on Eximscrips and inclusion of exports of certain varieties of rice in the Open General Licence made the exports of rice competitive. Bulk of these exports found their way to the Gulf region and the USA.

Exports of *raw cotton* declined substantially both in rupee (-62.6 per cent) and dollar terms (-72.8 per cent) during the financial year 1991-92 against a striking acceleration witnessed during the previous year. In volume terms, the decline was higher at 72.9 per cent during 1991-92. The need to export value-added items has taken priority in this area.

The uptrend in exports of *tobacco (manufactured and unmanufactured)* witnessed since 1987-88 continued in 1991-92 also. However, in dollar terms, exports at $ 153 million was lower by 4.1 per cent during 1991-92 as against a sharp

increase of 39.5 per cent in the previous year. In rupee terms, tobacco exports amounted to Rs. 377 crore during 1991-92, an increase of 43.3 per cent as against an increase of 50.3 per cent in the previous year. In volume terms, exports of tobacco declined by 3.9 per cent to reach 83.7 million kgs during 1991-92 which led to an improvement in unit value realisation from Rs. 30.2 per kg. during 1990-91 to Rs. 45 per kg. during 1991-92.

India is the leading exporter of *cashew kernels* accounting for about 50 per cent of world trade. Exports of cashew kernels rose by 10.2 per cent in dollar terms to $ 271 million during 1991-92 on top of a 12.3 per cent increase in the previous year. In rupee terms, exports increased by 51.5 per cent to Rs. 668 crore, aided by a volume growth of 29.9 per cent to 64.7 thousand tonnes and an improvement in unit value realisation from Rs. 88.6 per kg. in 1990-91 to Rs. 103.2 per kg. in 1991-92. Exports of cashew kernels are linked with the imports of raw cashew nut. The net foreign exchange earnings (excess of exports over imports) rose to Rs. 402 crore in 1991-92 from Rs. 307 crore in 1990-91. Important markets for Indian cashew kernels during 1991-92 included the USA (30.0 per cent), Netherlands (25.1 per cent), Japan (9.7 per cent), Australia (5.3 per cent) and the former USSR (5.1 per cent). Of late, exports of cashew kernels have been facing stiff competition from other suppliers such as Indonesia and China.

The persistent declining trend in export of *spices* since 1988-89 was arrested in 1991-92 and exports of spices increased by 15.4 per cent in dollar terms to $ 150 million as compared with a decline of 12.2 per cent in 1990-91. In rupee terms, exports of spices increased by 58.1 per cent to Rs. 370 crore (aided by a volume growth of 44.5 per cent) as against a decline of 5.3 per cent in the previous year. The major spices are pepper, cardamom, turmeric, chillies, seed spices like coriander, cummin, etc. and tree spices like asafoetida, cinnamon, curry leaf, etc. The Spices Board had undertaken a number of programmes for promotion of export of spices during the year. The increase in export earnings during 1991-92 was mainly on account of better unit value realisation from Rs. 22.7 per kg. in 1990-91 to Rs. 24.9 per kg. of all the spices and in particular chillies and spice oils and oleo-resins. However, exports of pepper had declined considerably during the year, the reason being a 20 per cent decline in the 1990-91 crop output, disintegration of the former USSR and stiff competition from other pepper producing countries with low prices. Despite a continuing declining trend in exports of pepper, it still occupies a predominant place in India's total spices exports. India's share in the global markets for spices has reached a figure of around 33 per cent. The main markets for Indian spices during 1991-92 were the USA (19.6 per cent), Bangladesh (15.2 per cent), the former USSR (11.9 per cent), Sri Lanka (7.4 per cent), Japan (4.3 per cent) and Germany (2.9 per cent).

During 1991-92, exports of *oil cakes* increased by 4.1 per cent in dollar terms to $ 353 million on top of a rise of 3.4 per cent in 1990-91. In rupee terms, exports increased by 43.3 per cent to Rs. 871 crore as compared with an increase of 11.4 per cent in the previous year. The rise in exports of oil cakes during 1991-92 was mainly because of increase in quantity of exports which grew by 9.7 per cent to 2.7 million tonnes. The unit value realisation rose marginally from Rs. 2.4 per kg. in 1990-91 to Rs. 3.2 per kg. in 1991-92. The decline in exports to the Rupee Payment Area hindered a full realisation of export potential of oil cakes during 1991-92. As regards the direction of trade, the major markets for Indian oil cakes during 1991-92 were Philippines (9.8 per cent), Czechoslovakia (9.5 per cent), Singapore (9.6 per cent), Netherlands (9.3 per cent), Indonesia (8.1 per cent), China (7.8 per cent) and Jordan (3.7 per cent).

Exports of *fruits and vegetables* again picked up in 1991-92, recording a sharp rise by 19.3 per cent to $ 142 million as compared with a decline of 4.8 per cent during 1990-91. In rupee terms, exports increased by 63.8 per cent to Rs. 349 crore as against a marginal increase of 2.4 per cent in the previous year. Gulf countries and Western Europe continued to be the major markets for fruits and vegetables. China and Indonesia are the main competitors of India in the field of exports of fruits and vegetables.

Exports of *marine products* increased modestly in dollar terms by 4.1 per cent to $ 557 million as compared with a large increase of 29.5 per cent

registered in 1990-91. In rupee terms, the increase in these exports were much higher at 43.1 per cent rising to Rs. 1,374 crore, aided by a volume growth of 13.4 per cent to 180.2 thousand tonnes and an increase in unit value realisation from Rs. 60.4 per kg. in 1990-91 to Rs. 76.2 per kg. in 1991-92. The main markets for Indian exports of marine products were Japan (45.8 per cent), the USA (11.0 per cent) and Spain (7.9 per cent). India faces stiff competition in these markets from China, Thailand, Indonesia, Equador, Vietnam and Philippines due to an abundant supply of farmed shrimps in these countries. Frozen shrimp continued to occupy a dominant place in India's exports of marine products accounting for 45 per cent in volume terms and about 72 per cent in value terms. Of late, EEC is emerging as an important market for exports of our marine products, especially Individually Quick Frozen (IQF) shrimp is in high demand in this market.

Exports of *sugar and molasses* increased by 176.2 per cent during 1991-92 in dollar terms to $ 58.0 million as against an increase of 10.5 per cent in 1990-91. In rupee terms, exports of sugar and molasses increased strikingly by 279.0 per cent to Rs. 144 crore during 1991-92 as compared with an increase of 18.8 per cent in 1990-91. The increase in exports was mainly on account of increase in volume by 117.6 per cent from 191.0 thousand tonnes in 1990-91 to 415.6 thousand tonnes in 1991-92. These exports were mainly against preferential quotas given by the USA and EEC for India besides some quantities to neighbouring countries like Sri Lanka and Indonesia.

Exports of *meat and meat preparation* increased by 20.5 per cent and 65.0 per cent in dollar and rupee terms, respectively.

Ores and Minerals

The main items of exports in this category are iron ore, manganese ore, chrome ore, alumina, aluminium, coal and mica. However, iron ore is the most important comprising nearly 63.0 per cent of exports of ores and minerals during 1991-92. Exports of ores and minerals declined by 4.6 per cent in dollar terms to $ 925 million during 1991-92 as against a rise of 17.0 per cent during the previous year. This decline was mainly because of a fall in exports of mica, coal and other ores and minerals by 10.6 per cent in dollar terms during 1991-92. However, in rupee terms, exports of ores and minerals rose by 31.1 per cent to Rs. 2,281 crore during 1991-92 as compared with a rise of 26.1 per cent in the previous year. Exports of iron ore remained almost at the previous year's level at $ 581 million during 1991-92, but rose substantially by 36.5 per cent in rupee terms to Rs. 1,432 crore as against a rise of 13.0 per cent in 1990-91. In quantity terms, exports of iron ore declined by 9.8 per cent to 29.3 million tonnes during the year under review. The performance would have been better if iron ore off-take by Romania had not declined substantially and the nomination of vessels by Japan had not slowed down. Japan and Korea continued to be the major importers of iron ore from India during 1991-92 with their respective share of 61.5 and 9.9 per cent (Table X-4 and Table X-5 and Statement in Vol. II).

Imports

Reflecting the perceptible impact of import compression measures taken by the Government and the Reserve Bank, imports at $ 19,411 million suffered a steep decline of 19.4 per cent in the fiscal year 1991-92 in sharp contrast to a rise of 13.2 per cent in the previous year. However, in rupee terms, imports stood at Rs. 47,851 crore representing a decelerated rate of rise of 10.8 per cent during the year as against a sharp rise of 22.0 per cent in 1990-91. In terms of SDR too, imports declined by 17.7 per cent in contrast to a modest rise of 4.9 per cent in the previous year. Although the import compression was shared by both oil and non-oil imports, the impact was more pronounced in the latter than in the former. In terms of dollar, the impact of import compression measures is clearly discernible in all the major commodity groups viz., bulk imports, capital goods, export-related items and others. It may be observed from Table X-6 and Table X-7 that the decline was highest in 'capital goods' category (-27.7 per cent), followed by bulk imports (-21.1 per cent), and 'others' comprising organic and inorganic chemicals, cashew nuts, etc. (-8.0 per cent).

Table X-6 : INDIA'S IMPORTS BY MAIN SUB-GROUPS

(US $ million)

Commodity Group	1980-81	1984-85	1989-90 (P)	1990-91	1991-92 (P)	Annual Compound Growth Rates (per cent) 1980-81 to 1989-90	1980-81 to 1984-85	1985-86 to 1989-90	Percentage change (6) over (5)
1	2	3	4	5	6	7	8	9	10
I. BULK IMPORTS	**9,744**	**8,444**	**8,552**	**10,842**	**8,559**	**1.4**	**2.5**	**0.3**	**—21.41**
	(69.6)	**(58.6)**	**(40.2)**	**(45.0)**	**(44.1)**				
A. POL	5,873	4,550	3,768	6,028	5,365	−0.9	2.0	− 3.7	−11.0
	(42.0)	(31.6)	(17.7)	(25.0)	(27.6)				
B. Non-POL	3,871	3,894	4,784	4,814	3,194	3.6	3.0	4.2	−33.7
	(27.7)	(27.0)	(22.5)	(20.0)	(16.5)				
Of which :									
a) Consumption Goods	1,005	1,168	549	551	258	−2.5	10.6	−14.0	−53.2
	(7.2)	(8.1)	(2.6)	(2.3)	(1.3)				
b) Fertilisers	912	1,132	1,067	984	916	5.3	12.1	−1.2	−6.9
	(6.5)	(7.9)	(5.0)	(4.1)	(4.7)				
c) Iron & Steel	950	792	1,384	1,178	874	3.0	−5.1	11.8	−25.8
	(6.8)	(5.5)	(6.5)	(4.9)	(4.5)				
II. Non-Bulk Imports	**4,248**	**5,968**	**12,720**	**13,230**	**10,852**	**12.8**	**9.3**	**16.3**	**—18.0**
	(30.4)	**(41.4)**	**(59.8)**	**(55.0)**	**(55.9)**				
A. Capital goods	2,130	2,665	5,304	5,832	4,216	11.4	8.1	14.8	−27.7
	(15.2)	(18.5)	(24.9)	(24.2)	(21.7)				
Of which :									
a) Electrical machinery	290	558	1,154	949	631	14.7	13.8	15.7	−33.5
	(2.1)	(3.9)	(5.4)	(3.9)	(3.3)				
b) Non-electrical machinery	1,214	1,678	2,121	2,363	1,735	7.8	11.0	4.8	−26.6
	(8.7)	(11.6)	(10.0)	(9.0)	(8.9)				
B. Pearls, Precious,	465	868	2,548	2,083	1,956	19.5	15.2	24.0	−6.1
semi-precious stones	(3.3)	(6.0)	(12.0)	(8.7)	(10.1)				
C. Others	1,654	2,435	4,868	5,315	4,680	11.9	8.9	14.9	−11.9
	(11.8)	(16.9)	(22.9)	(22.1)	(24.1)				
III. Total	**13,993**	**14,412**	**21,272***	**24,073**	**19,411***	**6.5**	**5.0**	**8.1**	**—19.4**

Note : Figures in brackets represent percentage to total imports.
P : Provisional
* : Totals for 1989-90 and 1992 are Partially Revised and Final respectively.
Source : D.G.C.I. & S.

Table X-7 : INDIA'S IMPORTS OF PRINCIPAL COMMODITIES

Commodity Group	In Rs. crore					Percentage variation		In US $ million					Percentage variation	
	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)	(5)/(4)	(6)/(5)	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)	(12)/(11)	(13)/(12)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
I. BULK IMPORTS	**9,084**	**11,316**	**14,440**	**19,454**	**21,002**	**34.7**	**8.0**	**7,006**	**7,814**	**8,673**	**10,842**	**8,559**	**25.0**	**—21.1**
	(40.8)	**(40.1)**	**(40.8)**	**(45.0)**	**(44.1)**			**(40.8)**	**(40.1)**	**(40.8)**	**(45.0)**	**(44.1)**		
A. Cereals & cereal preparation	66	774	378	182	141	−51.9	−22.5	51	534	227	101	57	−55.3	−43.6
Of which :														
a) Wheat	9	434	21	24	–	14.3	–	7	300	13	13	–	6.0	–
b) Rice	2	231	283	39	11	−86.2	−71.8	2	160	170	22	4	−87.2	−79.5
B. Pulses	275	385	228	481	254	111.0	−47.2	212	266	137	268	103	95.8	−61.6
C. Fertilizers														
a) Crude	139	190	253	347	440	37.2	26.8	107	131	152	193	178	27.3	−7.6
b) Sulphur & unroasted iron pyrites	181	251	295	278	299	−5.8	7.6	140	173	177	155	121	−12.6	−21.7
c) Manufactured	188	493	1,228	1,141	1,520	−7.1	33.2	145	340	738	636	617	−13.8	−3.0
D. Vegetable oils, fixed (edible)	969	730	211	326	240	54.5	−26.4	747	504	127	182	97	43.4	−46.4
E. Paper, paper boards & manufactures thereof	270	303	358	456	488	27.4	7.0	208	209	215	254	198	18.2	−22.1
F. Metalliferrous ores, metal scrap, etc.	442	690	1,084	1,528	1,015	41.0	−33.6	341	476	651	852	412	30.8	−51.6
G. Petroleum, petroleum products & related materials	4,043	4,358	6,274	10,816	13,129	72.4	21.4	3,118	3,009	3,768	6,028	5,365 @	60.0	−11.0
H. Pulp & Waste paper	239	260	304	458	299	50.7	−34.7	184	180	183	255	121	39.8	−52.5
I. Iron & Steel	1,320	1,933	2,305	2,113	2,154	−8.3	1.9	1,018	1,335	1,384	1,178	874	−14.9	−25.8
J. Sugar	193	–	97	9	1	−90.7	−88.9	149	0	58	5	0	−91.4	−91.9
K. Non ferrous metals	639	776	1,253	1,102	840	−12.1	−23.8	493	536	753	614	341	−18.4	−44.5
L. Crude rubber (including synthetic & reclaimed)	120	173	172	226	182	31.4	−19.5	93	119	103	126	74	22.3	−41.4
II. CAPITAL GOODS	**6,566**	**6,956**	**8,831**	**10,465**	**10,394**	**18.5**	**—0.7**	**5,064**	**4,803**	**5,304**	**5,832**	**4,216**	**10.0**	**—27.7**
	(29.5)	**(24.6)**	**(24.9)**	**(24.2)**	**(21.7)**			**(29.5)**	**(24.6)**	**(24.9)**	**(24.2)**	**(21.7)**		
Machinery other than electrical	2,826	2,872	3,532	4,240	4,278	20.0	0.9	2,180	1,983	2,121	2,363	1,735	11.4	−26.6
Electrical machinery	1,093	1,563	1,922	1,702	1,556	−11.4	−8.6	843	1,079	1,154	949	631	−17.8	−33.5
Transport equipment	760	753	1,526	1,670	905	9.4	−45.8	586	520	917	931	367	1.5	−60.6
Manufactures of metals	161	193	271	302	350	11.4	15.9	124	133	163	168	142	3.4	−15.6
Project goods	1,726	1,575	1,580	2,551	3,305	61.5	29.6	1,331	1,088	949	1,422	1,341	49.8	−5.7

Table X-7 : INDIA'S IMPORTS OF PRINCIPAL COMMODITIES (Concld.)

Commodity Group	In Rs. crore					Percentage variation		In US $ million					Percentage variation	
	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)	(5)/(4)	(6)/(5)	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)	(12)/(11)	(13)/(12)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
III. PEARLS, PRECIOUS AND SEMI-PRECIOUS STONES	**2,018** (9.1)	**3,176** (11.2)	**4,242** (12.0)	**3,738** (8.7)	**4,822** (10.1)	**—11.9**	**29.0**	**1,556** (9.1)	**2,193** (11.2)	**2,548** (12.0)	**2,083** (8.7)	**1,956** (10.1)	**—18.2**	**—6.1**
IV. OTHERS	**2,897** (13.0)	**4,336** (15.4)	**5,174** (14.6)	**6,034** (14.0)	**7,629** (16.0)	**16.6**	**26.4**	**2,234** (13.0)	**2,994** (15.4)	**3,108** (14.6)	**3,363** (14.0)	**3,095** (16.0)	**8.2**	**—8.0**
A. Organic & inorganic chemicals	1,082	1,894	2,135	2,289	3,523	7.2	53.9	835	1,308	1,282	1,276	1,429	−0.5	12.0
B. Professional, scientific controlling instruments, photographic optical goods	500	679	886	1,060	1,041	19.6	−1.8	386	469	532	591	422	11.0	−28.6
C. Artificial resins & plastic materials etc.	567	809	996	1,095	1,403	9.9	28.1	437	559	598	610	569	2.0	−6.7
D. Textile yarn, fabrics, made-ups, etc.	187	269	349	443	343	26.9	−22.6	144	186	210	247	139	17.8	−43.6
E. Medicinal and pharmaceutical products	168	236	272	468	456	72.1	−2.6	130	163	163	261	185	60.1	−29.1
F. Non-metallic mineral manufactures	105	164	168	203	228	20.8	12.3	81	113	101	113	92	11.9	−18.6
G. Chemical materials & products	191	187	222	286	321	28.8	12.2	147	129	133	159	130	19.5	−18.2
H. Synthetic & regenerated fibre	33	37	69	56	48	−18.8	−14.3	25	26	41	31	19	−24.7	−37.6
I. Cashew nuts	64	61	77	134	266	74.0	98.5	49	42	46	75	108	61.5	44.5
TOTAL OF THE ABOVE	**20,565** (92.5)	**25,784** (91.3)	**32,687** (92.3)	**39,691** (91.9)	**43,847** (91.7)	**21.4**	**10.5**	**15,861** (92.5)	**17,805** (91.3)	**19,633** (92.3)	**22,121** (91.9)	**17,826** (91.7)	**12.7**	**— 19.4**
V. OTHERS (NOT INCLUDED ABOVE)	**1,679** (7.5)	**2,451** (8.7)	**2,729** (7.7)	**3,502** (8.1)	**3,966** (8.3)	**28.3**	**13.2**	**1,295** (7.5)	**1,692** (8.7)	**1,639** (7.7)	**1,952** (8.1)	**1,569** (8.3)	**19.1**	**—19.6**
TOTAL IMPORTS	**22,244**	**28,235**	**35,416***	**43,193**	**47,851***	**22.0**	**10.8**	**17,156**	**19,497**	**21,272***	**24,073**	**19,411***	**13.2**	**—19.4**

Note : Figures in brackets relate to percentage to total products.
@ : Converted in US dollar terms by using official average exchange rate.
P : Provisional
* : Totals for 1989-90 and 1992 are Partially Revised and Final respectively.
Source : D.G.C.I. & S.

Imports during the Eighth Five Year Plan

As discussed earlier, the Eighth Plan envisages an import growth rate of 8.4 per cent per annum. One-fifth of the projected provision for imports during the Plan period will be for imports of oil and petroleum products. Imports of crude oil and petroleum products are projected to grow at 5.7 per cent per annum. Imports of fertilisers and major non-ferrous metals are projected to increase by 14.8 per cent and 8.3 per cent, respectively. Adequate provision has been made for export-related imports especially of gems and precious stones. A sum of Rs. 7,000 crore has been earmarked for the import of edible oils, foodgrains and pulses as contingency imports.

Commodity-wise Review

The persistent uptrend in imports witnessed during 1988-89 to 1990-91 was arrested during 1991-92 by the imposition of import compression measures by the Government and the RBI in the wake of the severe balance of payments crisis.

Bulk imports during 1991-92 at $ 8,559 million fell by 21.1 per cent in sharp contrast to a rise of 25.0 per cent registered during the previous year. In rupee terms, on the other hand, bulk imports which rose by 34.7 per cent in 1990-91, grew at a decelerated rate of 8.0 per cent during 1991-92. In dollar terms, bulk imports, constituting 44.1 per cent of total imports accounted for 49 per cent of import compression during 1991-92.

Imports of *petroleum, petroleum products and related materials (POL)* during 1991-92 at $ 5,365 million declined by 11.0 per cent in sharp contrast to a rise of 60.0 per cent during 1990-91. However, in rupee terms, imports of POL grew at a decelerated rate (21.4 per cent) than that in 1990-91 (72.4 per cent). The exchange rate adjustments effected in July 1991 coupled with the hike effected in the administered prices of petroleum products to control the domestic consumption had resulted in an import compression of POL.

The average price paid by India for crude oil in the world market rose to $ 18.50 per barrel during August-November 1991 from an average of $ 16.43 per barrel during April-July 1991, but subsequently declined to an average of $ 15.98 per barrel during the remaining period of 1991-92.

Imports of *bulk consumption goods,* which consist of cereal and cereal preparations, edible oils, pulses and sugar at $ 257 million (or Rs. 636 crore) registered a sharp fall of 53.8 per cent (or 36.3 per cent in rupee terms) as against a modest rise of 1.3 per cent (or 9.2 per cent in rupee terms) during 1990-91. The major chunk of the reduction in these imports was brought about by a substantial fall in the imports of pulses and edible oils which fell by $ 165 million and $ 85 million, respectively (or Rs. 227 crore and Rs. 86 crore, respectively). In quantity terms, pulses declined by as much as 60.8 per cent to 310.6 thousand tonnes. Imports of edible oils also contracted substantially. In quantity terms, they dropped to 200.2 thousand tonnes during 1991-92 from 484.6 thousand tonnes during the previous year (Table X-8).

Fertiliser imports consist of crude fertilisers, sulphur and unroasted iron pyrites and manufactured fertilisers. During 1991-92, these imports at $ 916 million showed a decline of 6.9 per cent on top of a fall of 7.8 per cent during the previous year. However, in rupee terms, they grew by 27.9 per cent to Rs. 2,259 crore in contrast to a marginal fall of 0.6 per cent in the previous year. Manufactured fertiliser imports declined by 3 per cent to $ 617 million from $ 636 million during 1990-91. Imports of crude fertilisers, sulphur and unroasted iron pyrites also declined to $ 178 million and $ 121 million, respectively (or by 7.8 per cent and 21.9 per cent). However, in rupee terms, these went up by 26.8 per cent and 7.6 per cent, respectively, during 1991-92. Manufactured fertilisers were imported mainly from the USA ($ 259 million), the former USSR ($ 129 million), Germany ($ 88 million) and Jordan ($ 68 million).

Imports of *non-ferrous metals and iron and steel* in dollar terms registered further decline of 44.5 per cent and 25.8 per cent on top of decline of 18.5 per cent and 14.9 per cent, respectively, during 1990-91. Imports of iron and steel were of the order of 2,169 thousand tonnes valued at $ 874 million (or Rs. 2,154 crore) in 1991-92, as against

Table X-8 : INDIA'S IMPORTS OF PRINCIPAL COMMODITIES - VOLUME

(Quantity)

Commodity Group	Unit of Quantity	1987-88	1988-89	1989-90 (P)	1990-91	1991-92 (P)
1	2	3	4	5	6	7
A. BULK IMPORTS						
1. Cereals & cereal preparation	Thou. Tons	143.6	2,750.6	761.2	252.5	143.1
Of which :						
a) Wheat	Thou. Tons	21.5	1,792.4	39.6	65.9	–
b) Rice	Thou. Tons	5.4	705.9	544.5	66.1	12.1
2. Pulses	Thou. Tons	731.7	858.4	429.1	791.9	310.6
3. Fertilizers						
Of which :						
a) Crude	Thou. Tons	1,822.5	2,017.4	2,059.8	2,480.1	2,353.7
b) Sulphur & unroasted iron pyrites	Thou. Tons	1,148.8	211.5	1,181.0	1,117.8	1,002.8
c) Manufactured	Thou. Tons	1,403.7	2,099.7	3,840.9	3,543.9	3,306.2
4. Vegetable oils, fixed (edible)	Thou. Tons	1,944.9	1,083.1	292.2	484.6	200.2
5. Paper, paper boards & manufacturers thereof	Thou. Tons	282.8	255.3	260.2	307.1	261.5
6. Petroleum, petroleum products & related materials	Mill. Tons	21.9	24.0	n.a.	n.a.	n.a.
7. Pulp & waste paper	Thou. Tons	473.7	410.1	450.6	652.7	384.3
8. Iron & Steel	Thou. Tons	2,298.6	2,208.1	3,600.9	2,798.1	2,168.8
9. Sugar	Thou. Tons	738.3	–	134.3	12.1	1,029.0
10. Crude rubber (including synthetic and reclaimed)	Thou. Tons	78.5	91.4	83.0	103.9	56.0
B. OTHERS						
Synthetic & regenerated fibre	Thou. Tons	20.5	20.5	30.0	27.4	12.7

P : Provisional
Source : D.G.C.I. & S.

2,798 thousand tonnes valued at $ 1,178 million (or Rs. 2,113 crore) in 1990-91 registering a decline of 22.5 per cent in quantity terms.

During 1991-92, imports of *paper, paper boards and manufactures* decelerated to $ 198 million from $ 254 million, showing a decline of 22.1 per cent over the year. However, in rupee terms, these imports grew at a decelerated rate of 7.0 per cent as compared with a sharp increase of 27.4 per cent recorded during 1990-91.

Imports of *metalliferrous ores and metal scrap* which rose by 30.9 per cent during 1990-91 to reach $ 852 million (or by 41.0 per cent to reach Rs. 1,528 crore), fell sharply by 51.6 per cent to $ 412 million during 1991-92 (or by 33.6 per cent to Rs. 1,015 crore). *Pulp and waste paper* imports declined by 52.5 per cent to $ 121 million (or by 34.7 per cent to Rs. 299 crore) in sharp contrast to a rise of 39.3 per cent (or by 50.7 per cent to Rs. 458 crore) registered during 1990-91. Imports of *crude rubber* declined by 41.3 per cent to $ 74 million in sharp contrast to a rise of 22.3 per cent during 1990-91. In rupee terms also, the decline was of the order of 19.5 per cent in 1991-92 as against a rise of 31.4 per cent during 1990-91. In quantity terms, these imports fell by as much as 46.1 per cent to 56 thousand tonnes during the year under review.

Non-bulk items

The category of non-bulk imports in dollar terms too experienced a decline of 18.0 per cent during 1991-92, as against a modest rise of 4.0 per cent in the preceding year. Despite a decline, the share of non-bulk imports in total imports rose to 55.9 per cent in 1991-92 from 55.0 per cent in 1990-91. The main items of imports within this category include capital goods and export-related items consisting of pearls, precious and semi-precious stones, organic and inorganic chemicals, textile yarn, fabrics, made-ups, etc., and cashew nuts. In rupee terms, non-bulk imports at Rs. 26,849 crore increased at a marginally lower rate of 13.1 per cent as compared with 13.2 per cent recorded during 1990-91. During 1991-92, imports of export-related items at $ 3,632 million declined at a lower rate of 1.3 per cent than that of 9.9 per cent in 1990-91. However, in rupee terms, these imports at Rs. 8,954 crore rose by 35.6 per cent as against a fall of 2.9 per cent during 1990-91. The lower rate of decline in these imports in dollar terms during 1991-92 was brought about by the fact that import of pearls, precious and semi-precious stones at $ 1,956 million showed a lower rate of decline of 6.1 per cent than that of 18.2 per cent in 1990-91, while imports of organic and inorganic chemicals recorded a turnaround from a decline of 0.5 per cent during 1990-91 to a rise of 12.0 per cent during 1991-92. These two items, viz., pearls, precious and semi-precious stones and organic and inorganic chemicals taken together constituted more than 90 per cent of total export-related imports.

Capital goods imports consist of machinery, electrical and non-electrical, transport equipment, manufactures of metals and project goods. The import of these goods is indicative of the pace and pattern of industrial activity as well as the stance of commercial policy. Import compression measures, among other factors, contributed to the steep fall in imports of capital goods which, in turn, was reflected in the index of industrial production turning fractionally negative. During 1991-92, these imports at $ 4,216 million declined sharply by 27.7 per cent in contrast to a rise of 10.0 per cent during 1990-91. In rupee terms also, there was a fall in these imports, albeit at a lower rate of 0.7 per cent, as against rise of 18.5 per cent during 1990-91. Amongst capital goods, imports of machinery, electrical and non-electrical which constituted about 56.1 per cent of total capital goods imports, accounted for about 58.5 per cent of total decline in these imports. Machinery imports (electrical and non-electrical) decelerated to $ 2,366 million (or Rs. 5,834 crore) from $ 3,312 million (or Rs. 5,942 crore) in 1990-91, reflecting a fall of 28.6 per cent (or 1.8 per cent in rupee terms) over the year. Imports of transport equipment at $ 367 million (or Rs. 905 crore) declined by as much as 60.6 per cent (or 45.8 per cent in rupee terms). Import of metal manufactures showed a decline of 15.5 per cent to $ 142 million as against a rise of 3.1 per cent during 1990-91. Project goods imports also recorded a fall of 5.7 per cent to $ 1,341 million in sharp contrast to a rise of 49.8 per cent during 1990-91. However, in rupee terms, project goods

imports recorded a decelerated growth rate of 29.6 per cent as against a phenomenal rise of 61.5 per cent during 1990-91.

The category of *'others'* is a group of heterogenous items. Within this group, imports of professional, scientific controlling instruments and photographic optical goods recorded a fall of 28.6 per cent to $ 422 million from $ 591 million in 1990-91. However, in rupee terms, imports of these goods declined from Rs. 1,060 crore in 1990-91 to Rs. 1,041 crore during 1991-92 reflecting a marginal decline of 1.8 per cent over the year. Amongst the other major items under this category, imports of artificial resins and plastic material contracted by 6.7 per cent to $ 569 million as against a rise of 2.0 per cent during 1990-91. However, in rupee terms, these imports grew at an accelerated rate of 28.1 per cent. Imports of medicinal and pharmaceutical products recorded a steep fall of 29.1 per cent to $ 185 million in sharp contrast to a rise of 60.1 per cent during 1990-91. In rupee terms also, these imports recorded a fall, albeit at a modest rate of 2.6 per cent, to Rs. 456 crore as against a massive rise of 72.1 per cent during 1990-91. Imports of non-metallic mineral manufactures and chemical materials and products declined by 18.6 per cent and 18.2 per cent in dollar terms during the year as against increases of 11.9 per cent and 19.5 per cent, respectively, in 1990-91.

Direction of Trade

The geographical pattern of India's foreign trade remained broadly unchanged during 1991-92. By and large, the industrial market economies served both as principal markets for India's exports as well as principal sources of imports. India's trading partners are classified into four broad categories:

(a) Organisation for Economic Co-operation and Development (OECD);

(b) Organisation of Petroleum Exporting Countries (OPEC);

(c) Eastern Europe; and

(d) Developing countries.

During 1991-92, the OECD countries accounted for about 56 per cent of the total trade (imports plus exports) followed by Developing countries (20.4 per cent), OPEC countries (14.5 per cent) and Eastern Europe (7.8 per cent) (Table X-9 and X-10).

During the fiscal year 1991-92, the OECD countries continued to be India's largest trading partner accounting for 57.7 per cent of her exports and 54.1 per cent of her imports, as against 56.5 per cent and 57.2 per cent, respectively, in 1990-91. In dollar terms, exports to these countries grew at the rate of 0.5 per cent while imports from these countries declined by 23.7 per cent. As a result, the trade deficit declined from $ 3,524 million in 1990-91 to $ 206 million during 1991-92. The EEC group of countries continued to be the leading trading partner accounting for 26.9 per cent of India's exports and 29.2 per cent of imports in 1991-92. The decline in imports resulted in a shrinkage of trade deficit to $ 858 million in 1991-92 from $ 2,079 million in 1990-91. There was a sharp decline in imports from EEC countries. Within the EEC, Germany continued to rank first followed by the UK, Belgium, Italy, France and Netherlands so far as India's exports were concerned. During the year under review, the trade deficit with Germany declined by $ 213 million to $ 302 million and that with the UK by $ 362 million to $ 65 million. The trade balance with the North America recorded a turnaround from a deficit of $ 405 million in 1990-91 to a surplus of $ 845 million during 1991-92. The share of India's exports to the North America in total trade recorded a rise from 15.6 per cent in 1990-91 to 17.4 per cent in 1991-92, on account of the growth of exports to Canada and the USA (21.2 per cent and 9.2 per cent, respectively, in dollar terms).

The trade deficit with the Asia and Oceania countries fell by as much as 80.9 per cent to $ 152 million in 1991-92, from $ 794 million in 1990-91 mainly due to the turnaround in the trade balance with Japan and a reduction in the trade deficit with Australia. The trade balance with Japan, the largest trading partner within the group, recorded a turnaround from a deficit of $ 114 million in 1990-91 to a surplus of $ 275 million in 1991-92. Such a turnaround was brought about by a massive reduction in imports which fell by

Table X-9 : DIRECTION OF TRADE

(Rs. Crore)

Region	1980-81			1987-88			1988-89		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1	2	3	4	5	6	7	8	9	10
I. OECD Countries	3,126	5,747	−2,621	9,346	13,403	−4,057	11,959	17,270	−5510
	(46.6)	(45.8)		(59.6)	(60.3)		(59.1)	(61.2)	
a) EEC	1,447	2,639	−1,192	4,046	7,494	−3,448	5,109	9,138	−4029
	(21.6)	(21.0)		(25.8)	(33.7)		(25.3)	(32.4)	
b) North America	806	1,851	−1,045	3,086	2,300	785	3,924	3,667	257
	(12.0)	(14.8)		(19.7)	(10.3)		(19.4)	(13.0)	
c) Asia and Oceania	708	932	−224	1,819	2,679	−861	2,450	3,387	−936
	(10.5)	(7.4)		(11.6)	(12.0)		(12.1)	(12.0)	
d) Other OECD Countries	165	325	−160	396	930	−535	476	1,078	−602
	(2.5)	(2.6)		(2.5)	(4.2)		(2.4)	(3.8)	
II. OPEC Countries	745	3,490	−2,745	962	2,953	−1,991	1,193	3,779	−2,586
	(11.1)	(27.8)		(6.1)	(13.3)		(5.9)	(13.4)	
III. Eastern Europe	1,521	1,341	180	2,482	2,032	449	3,173	1,814	1,359
	(22.7)	(10.7)		(15.8)	(9.1)		(15.7)	(6.4)	
IV. Developing Countries	1,266	1,971	−705	2,229	3,847	−1,619	3,395	5,355	−1,960
	(18.9)	(15.7)		(14.2)	(17.3)		(16.8)	(19.0)	
a) Asia	880	1,428	−548	1,871	2,693	−821	2,831	3,773	−942
	(13.1)	(11.4)		(11.9)	(12.1)		(14.0)	(13.4)	
i) SAARC	236	140	96	406	98	308	563	147	415
	(3.5)	(1.1)		(2.6)	(0.4)		(2.8)	(0.5)	
ii) Other Asian Developing Countries	644	1,288	−644	1,465	2,595	−1,130	2,269	3,626	−1,357
	(9.6)	(10.3)		(9.3)	(11.7)		(11.2)	(12.8)	
b) Africa	345	204	141	315	652	−338	398	987	−589
	(5.1)	(1.6)		(2.0)	(2.9)		(2.0)	(3.5)	
c) Latin American Countries	32	303	−271	43	502	−459	165	595	−430
	(0.5)	(2.4)		(0.3)	(2.3)		(0.8)	(2.1)	
V. Others	53	0	53	655	8	647	512	17	495
	(0.8)	(−)		(4.2)	(−)		(2.5)	(0.1)	
TOTAL	6,711	12,549	−5,838	15,674	22,244	−6,570	20,232	28,235	−8003

Table X-9 : DIRECTION OF TRADE (Concld.)

(Rs. Crore)

Region	1989-90 (P)			1990-91			1991-92 (P)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1	11	12	13	14	15	16	17	18	19
I. OECD Countries	15,694	21,452	−5,758	18,389	24,712	−6,323	25,401	25,908	−507
	(56.7)	(60.6)		(56.5)	(57.2)		(57.8)	(54.2)	
a) EEC	7,122	11,933	−4,810	8,951	12,680	−3,730	11,858	13,972	−2115
	(25.7)	(33.7)		(27.5)	(29.4)		(27.0)	(29.2)	
b) North America	4,738	4,713	25	5,077	5,804	−727	7,664	5,580	2,084
	(17.1)	(13.3)		(15.6)	(13.4)		(17.4)	(11.7)	
c) Asia and Oceania	3,099	3,774	−676	3,401	4,826	−1,425	4,604	4,978	−374
	(11.2)	(10.7)		(10.4)	(11.2)		(10.5)	(10.4)	
d) Other OECD Countries	734	1,031	−297	961	1,403	−442	1,276	1,378	−102
	(2.7)	(2.9)		(3.0)	(3.2)		(2.9)	(2.9)	
II. **OPEC Countries**	1,841	5,074	−3,234	1,831	7,041	−5,210	3,815	9,522	−5,707
	(6.6)	(14.3)		(5.6)	(16.3)		(8.7)	(19.9)	
III. **Eastern Europe**	5,120	2,793	2,327	5,819	3,377	2,442	4,731	2,429	2,302
	(18.5)	(7.9)		(17.9)	(7.8)		(10.8)	(5.1)	
IV. **Developing Countries**	4,315	6,085	−1,770	5,560	8,056	−2,496	8,847	9,932	−1,085
	(15.6)	(17.2)		(17.1)	(18.7)		(20.1)	(20.8)	
a) Asia	3,646	4,465	−819	4,683	6,050	−1,367	7,427	6,994	433
	(13.2)	(12.6)		(14.4)	(14.0)		(16.9)	(14.6)	
i) SAARC	697	102	595	957	236	721	1,548	264	1,285
	(2.5)	(0.3)		(2.9)	(0.5)		(3.5)	(0.6)	
ii) Other Asian Developing Countries	2,949	4,363	−1,414	3,726	5,814	−2,088	5,879	6,731	−852
	(10.7)	(12.3)		(11.4)	(13.5)		(13.4)	(14.1)	
b) Africa	544	891	−346	706	1,028	−322	1,093	2,044	−951
	(2.0)	(2.5)		(2.2)	(2.4)		(2.5)	(4.3)	
c) Latin American Countries	125	729	−605	171	978	−807	326	894	−567
	(0.5)	(2.1)		(0.5)	(2.3)		(0.7)	(1.9)	
V. **Others**	711	12	699	954	7	947	1,185	22	1,163
	(2.6)	(−)		(2.9)	(−)		(2.7)	(−)	
TOTAL	**27,681**	**35,416 ***	**—7,735**	**32,553**	**43,193**	**—10,640**	**44,042 ***	**47,851 ***	**—3,809**

Note : (1) Exports of petroleum products amounting to Rs. 649 crore in 1987-88, Rs. 505 crore in 1988-89, Rs. 697 crore in 1989-90, Rs. 938 crore in 1990-91 and Rs. 1022 crore in 1991-92 are taken in to account in total but are not included in countrywise detail.

(2) Figures in brackets represent percentage to total.

P : Provisional

* : Total imports for 1989-90 are Partially Revised and total exports and imports for 1991-92 are final.

Source : D.G.C.I. & S.

Table X-10 : DIRECTION OF TRADE

(US $ million)

Region	1980-81			1987-88			1988-89		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1	2	3	4	5	6	7	8	9	10
I. OECD Countries	**3,953**	**7,267**	**—3,315**	**7,208**	**10,337**	**—3,129**	**8,258**	**11,925**	**—3,667**
	(46.6)	**(45.8)**		**(59.6)**	**(60.3)**		**(59.1)**	**(61.2)**	
a) EEC	1,830	3,337	−1,507	3,121	5,779	− 2,659	3,528	6,310	− 2,782
	(21.6)	(21.0)		(25.8)	(33.7)		(25.3)	(32.4)	
b) North America	1,019	2,341	−1,321	2,380	1,774	606	2,710	2,532	177
	(12.0)	(14.8)		(19.7)	(10.3)		(19.4)	(13.0)	
c) Asia and Oceania	895	1,179	−283	1,403	2,067	−664	1,692	2,339	−647
	(10.5)	(7.4)		(11.6)	(12.0)		(12.1)	(12.0)	
d) Other OECD Countries	209	411	−202	305	717	−412	329	744	−415
	(2.5)	(2.6)		(2.5)	(4.2)		(2.4)	(3.8)	
II. OPEC Countries	**942**	**4,413**	**—3,471**	**742**	**2,277**	**—1,535**	**824**	**2,610**	**—1,786**
	(11.1)	**(27.8)**		**(6.1)**	**(13.3)**		**(5.9)**	**(13.4)**	
III. Eastern Europe	**1,923**	**1,696**	**228**	**1,914**	**1,568**	**347**	**2,191**	**1,253**	**938**
	(22.7)	**(10.7)**		**(15.8)**	**(9.1)**		**(15.7)**	**(6.4)**	
IV. Developing Countries	**1,601**	**2,492**	**—892**	**1,719**	**2,967**	**—1,248**	**2,344**	**3,698**	**—1,353**
	(18.9)	**(15.7)**		**(14.2)**	**(17.3)**		**(16.8)**	**(19.0)**	
a) Asia	1,113	1,806	−693	1,443	2,077	−634	1,955	2,606	−650
	(13.1)	(11.4)		(11.9)	(12.1)		(14.0)	(13.4)	
i) SAARC	298	177	121	313	75	238	388	102	287
	(3.5)	(1.1)		(2.6)	(0.4)		(2.8)	(0.5)	
ii) Other Asian Developing Countries	814	1,629	−814	1,130	2,001	−871	1,567	2,504	−937
	(9.6)	(10.3)		(9.3)	(11.7)		(11.2)	(12.8)	
b) Africa	436	258	178	243	503	−260	275	682	−406
	(5.1)	(1.6)		(2.0)	(2.9)		(2.0)	(3.5)	
c) Latin American Countries	40	383	−343	33	387	−354	114	411	−297
	(0.5)	(2.4)		(0.3)	(2.3)		(0.8)	(2.1)	
V. Others	**67**	**0**	**67**	**505**	**6**	**499**	**353**	**12**	**341**
	(0.8)	**(-)**		**(4.2)**	**(-)**		**(2.5)**	**(0.1)**	
TOTAL	**8,486**	**15,869**	**—7,383**	**12,088**	**17,156**	**—5,067**	**13,970**	**19,497**	**—5,527**

Table X-10 : DIRECTION OF TRADE (Concld.)

(US $ million)

Region	1989-90 (P)			1990-91			1991-92 (P)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
	11	12	13	14	15	16	17	18	19
I. OECD Countires	**9,426**	**12,885**	**—3,459**	**10,249**	**13,773**	**—3,524**	**10,304**	**10,510**	**—206**
	(56.7)	**(60.6)**		**(56.5)**	**(57.2)**		**(57.7)**	**(54.1)**	
a) EEC	4,278	7,167	−2,889	4,988	7,067	−2,079	4,810	5,668	−858
	(25.7)	(33.7)		(27.5)	(29.4)		(26.9)	(29.2)	
b) North America	2,846	2,831	15	2,830	3,235	−405	3,109	2,264	845
	(17.1)	(13.3)		(15.6)	(13.4)		(17.4)	(11.7)	
c) Asia and Oceania	1,861	2,267	−406	1,895	2,689	−794	1,868	2,019	−152
	(11.2)	(10.7)		(10.4)	(11.2)		(10.5)	(40.4)	
d) Other OECD Countries	441	619	−178	536	782	−246	517	559	−41
	(2.7)	(2.9)		(3.0)	(3.2)		(2.9)	(2.9)	
II. OPEC Countries	**1,106**	**3,048**	**—1,942**	**1,020**	**3,924**	**—2,904**	**1,547**	**3,863**	**—2,315**
	(6.6)	**(14.3)**		**(5.6)**	**(16.3)**		**(8.7)**	**(19.9)**	
III. Eastern Europe	**3,075**	**1,677**	**1,398**	**3,243**	**1,882**	**1,361**	**1,919**	**985**	**934**
	(18.5)	**(7.9)**		**(17.9)**	**(7.8)**		**(10.7)**	**(5.1)**	
IV. Developing Countries	**2,592**	**3,655**	**—1,063**	**3,099**	**4,490**	**—1,391**	**3,589**	**4,029**	**—440**
	(15.6)	**(17.2)**		**(17.1)**	**(18.7)**		**(20.1)**	**(20.8)**	
a) Asia	2,190	2,682	−492	2,610	3,372	−762	3,013	2,837	176
	(13.2)	(12.6)		(14.4)	(14.0)		(16.9)	(14.6)	
i) SAARC	419	61	357	533	131	402	628	107	521
	(2.5)	(0.3)		(2.9)	(0.5)		(3.5)	(0.6)	
ii) Other Asian Developing Countries	1,771	2,620	−849	2,077	3,240	−1,164	2,385	2,730	−345
	(10.7)	(12.3)		(11.4)	(13.5)		(13.3)	(14.1)	
b) Africa	327	535	−208	394	573	−179	443	829	−386
	(2.0)	(2.5)		(2.2)	(2.4)		(2.5)	(4.3)	
c) Latin American Countries	75	438	−363	95	545	−450	132	363	−230
	(0.5)	(2.1)		(0.5)	(2.3)		(0.7)	(1.9)	
V. Others	**428**	**7**	**421**	**532**	**4**	**528**	**481**	**9**	**472**
	(2.6)	**(-)**		**(2.9)**	**(-)**		**(2.7)**	**(-)**	
TOTAL	**16,626**	**21,272***	**—4,646**	**18,143**	**24,073**	**—5,930**	**17,866***	**19,411***	**—1,545**

Note : 1) Exports of petroleum products amounting to US $ 501 million in 1987-88, US $ 349 million in 1988-89, US $ 419 million in 1989-90, US $ 523 million in 1990-91 and US $ 415 million in 1991-92 are taken in to account in total but are not included in countrywise detail.

2) Figures in brackets represent percentage to total.

* : Total Imports for 1989-90 are partially Revised and total Exports and Imports for 1991-92 are P.

P- Provisional.

24.4 per cent from $ 1,808 million in 1990-91 to $ 1,367 million in 1991-92, while exports fell modestly by 3.1 per cent.

Sharp decline in imports coupled with rise in India's exports resulted in a reduction of trade deficit with Australia by $ 382 million during 1991-92. Australia is an important source for supply of coking coal, pulses, wool and non-ferrous metals. As a result, India continued to have a substantial trade deficit with Australia. The sharp decline in trade balance by $ 3,318 million with OECD countries was mainly due to trade surplus shown by North America and decline in trade deficit with the EEC and Asia and Oceania.

The OPEC group of countries which showed a continued decline in their share in India's foreign trade during the Seventh Plan registered a turnaround during 1991-92. Their share in India's exports which had fallen to 5.6 per cent in 1990-91 rose to 8.7 per cent in 1991-92; the corresponding figures in respect of imports were 16.3 per cent and 19.9 per cent. India's continued reliance on imports of POL is the most important determinant of volume of trade with the OPEC countries. During 1990-91, the immediate impact of the Gulf crisis arising out of the trade embargo on Iraq and the dislocation of trade to other countries in West Asia led to a significant loss of exports to the region. During 1991-92, however, increase in the share of Iran, Kuwait, Saudi Arabia and the UAE resulted in a rise of the OPEC countries' share in India's foreign trade. The trade deficit with OPEC countries which had increased by 49.5 per cent to $ 2, 904 million in 1990-91 declined to $ 2,315 million in 1991-92. The trade deficit with Saudi Arabia, which had recorded a massive rise of 125.6 per cent to $ 1,383 million in 1990-91, declined by 20.5 per cent to $ 1,100 million during the year under review. Similarly, the accelerated growth of exports coupled with a deceleration in imports resulted in a reduction of trade deficit with Iran ($ 28 million) and the UAE ($ 97 million) during 1991-92.

The dramatic political and economic changes in Eastern Europe have had a major impact on India's trade with the different countries of the region. During 1991-92, the trade with the region witnessed a considerable decline. Exports to the region fell by 40.8 per cent to $ 1,919 million and the trade surplus which had been on an upswing since 1989-90 witnessed a decline by 31.4 per cent to $ 934 million reflecting the decline in trade turnover. In the case of the former USSR, in particular, which accounted for the bulk of the trade with the region, the trade surplus declined by as much as 41.2 per cent to $ 887 million in 1991-92, in sharp contrast to a modest rise of 3.6 per cent during the previous year.

The trade deficit with the developing countries showed a substantial decline of 68.4 per cent to $ 440 million due to an acceleration of exports to these countries. The trade balance with the developing countries of Asia (including SAARC) which was in deficit during 1990-91 turned into a surplus of $ 176 million during the year under review. A deeper analysis shows the continuation of uptrend in trade surplus with the South Asian countries with the surplus increasing further to $ 521 million in 1991-92 from $ 402 million in 1990-91.

The flow of India's trade demonstrates directional change reflecting her efforts to explore new markets for imports and exports. The share of developing countries in India's exports rose from 14.2 per cent in 1987-88 to 20.1 per cent in 1991-92, while that of the OECD countries has fallen from 59.6 per cent to 57.7 per cent during the same period. Within the OECD countries, the share of the UK declined fractionally from 6.5 per cent in 1990-91 to 6.3 per cent in 1991-92 and that of Germany from 7.8 per cent to 7.1 per cent. However, the share of the USA rose from 14.7 per cent to 16.5 per cent. Similarly, the share of Eastern Europe declined from 17.9 per cent to 10.7 per cent, while the share of OPEC rose from 5.6 per cent to 8.7 per cent. As regards imports, OPEC and developing countries have acquired more importance. India's share in imports from OPEC and developing countries rose from 13.3 per cent and 17.3 per cent in 1987-88 to 19.9 per cent and 20.8 per cent, respectively, in 1991-92. As against this, India imported 60.3 per cent and 9.1 per cent of her total imports in 1987-88 from the OECD and East European countries, respectively. However, in 1991-92, their respective shares declined to 54.1 per cent and 5.1 per cent.

Import Licences

Category-wise data on value of fresh import licences issued during 1989-90, 1990-91 and 1991-92 are presented in Table X-11. These data, however, cannot be compared with data on value of import licences utilised during the year, as the latter data would also cover (i) licences issued during previous years, (ii) licences where extension of validity or revision in the value of licence was granted, or (iii) licences which were revalidated. Nevertheless, the trend in the issue of import licences would indicate the broad direction in import policy changes.

As mentioned in the previous year's Report, import compression measures were taken by the Government and the Reserve Bank of India during the second half of 1990-91 and in 1991-92 in order to conserve the scarce foreign exchange reserves. The impact of import compression measures was reflected in a decline in imports by 19.4 per cent in terms of dollar during 1991-92. In respect of import licences issued, the impact was seen in the change in the growth rate of import licences issued during 1991-92. During 1991-92, value of import licences issued stood lower by 5.9 per cent as against a rise of 3.0 per cent in 1990-91 and a compound growth rate of 17.7 per cent during the Seventh Five Year Plan.

As stated above, the value of import licences issued and/or utilised are not strictly comparable with that of actual imports. Yet, the proportion of the former to the latter and the changes therein give some indication of the direction of the regime (restrictive/liberalised) towards which the economy is moving. The value of import licences issued as a proportion of total imports declined from 44.5 per cent during 1990-91 to 37.8 per cent during 1991-92.

Table X-11 : Value of Import Licences Issued : Classified by Major Categories, 1989-90, 1990-91 and 1991-92 #

(Rs. Crore)

Category	1989-90	1990-91	1991-92	% Change (Col 3 over 2)	% Change (Col 4 over 3)
1	2	3	4	5	6
1. Actual User (Industrial)	35	102	79	191.4	-22.5
	(0.2)	(0.5)	(0.4)		
2. Actual User (Non-Industrial)	28	31	19	10.7	-38.7
	(0.2)	(0.2)	(0.1)		
3. Raw Materials for Scheduled Industries (DGTD Units)	2706	2011	1106	-25.7	-45.0
	(14.5)	(10.5)	(6.1)		
4. Small Scale Industries	141	72	91	-48.9	26.4
	(0.8)	(0.4)	(0.5)		
5. Registered Exporters	10535	10395	12351	-1.3	18.8
	(56.5)	(54.1)	(68.4)		
6. Capital Goods/Heavy Electrical Plants	2642	4332	3775	64.0	-12.9
	(14.2)	(22.6)	(20.9)		
7. State Trading Agencies	60	22	20	-63.3	-9.1
	(0.3)	(0.1)	(0.1)		
8. Others*	2487	2236	624	-10.1	-72.1
	(13.3)	(11.6)	(3.5)		
Total	**18634**	**19201**	**18065**	**3.0**	**-5.9**

* Include the categories 'Ad-hoc Licences', 'Customs Clearance Permits', 'Director General of supplies and Disposals Contracts', 'Government and against Government Contracts', 'Replacement Licences', 'Co-operative Societies' and 'Railway Contracts'.

Format has been changed in view of the non-availability of Sector-wise import licence data for 1991-92.

Note : Figures in parenthesis are percentages to the value of total licences issued during the years.

Source : Directorate General of Foreign Trade.

Category wise, the value of import licences issued during 1991-92 declined in respect of all categories except 'Small Scale Industries' and 'Registered Exporters'. The decline was the highest in 'Others' (72.1 per cent) followed by 'Raw Materials for Scheduled Industries, DGTD Units' (45.0 per cent). The category Small-Scale Industries recorded an increase of 26.4 per cent during the year under review as against a decline of 48.9 per cent in preceding year. Its share in the total value of licences issued, however, was negligible at 0.4 - 0.5 per cent. The category of Registered Exporters registered an increase of 18.8 per cent to Rs. 12,351 crore in 1991-92 from Rs. 10,395 crore in the previous year. The share of this category in the value of total import licences issued increased from 54.1 per cent in 1990-91 to 68.4 per cent in 1991-92, reflecting the commitment of the Government to boost exports.

II. DEVELOPMENTS IN FOREIGN TRADE POLICY

Trade Policy Reforms

The accent of the trade reforms initiated since July 1991 is to move gradually towards the market mechanism by removal of administrative controls so that exporters can respond with speed and flexibility to changing international conditions. The basic intention is to liberalise within the next three to four years, the tightly controlled and complex trade regime with high nominal tariffs, quantitative restrictions on imports and exports, public sector canalisation, phased manufacturing programme (PMP) for attaining import substitution and Government purchase preference for domestic producers. The various policy measures pertaining to trade liberalisation adopted since July 1991 have been discussed in R.B.I.'s Report on Currency and Finance, 1990-91.

Towards this direction, the Reserve Bank of India effected two-stage downward adjustment in the exchange value of the Rupee in July 1991, with a view to placing it at an appropriate level consistent with the need to maintain competitiveness of India's exports. Further, on March 1, 1992 the Liberalised Exchange Rate Management System (LERMS) was introduced with the aim of providing a powerful boost to our exports and invisible receipts. Under the new system, the recipients of foreign exchange inflows in respect of current account transactions (exports, remittances, etc.) will surrender the foreign exchange earned/received in full to the Authorised Dealers (ADs) at the market determined rate except for 40 per cent of the proceeds, the conversion of which would be based on the RBI official rate. The ADs, in turn, will surrender to the RBI 40 per cent of their purchase of foreign currencies at the official exchange rate announced by the RBI, which will be made available for import of essential items approved by the Government. The ADs will be free to retain the balance of the 60 per cent of foreign exchange and sell at market rates for all permissible transactions. Out of the 60 per cent of the amount earned in foreign currencies, the recipients are allowed to retain up to 15 per cent of the receipts in foreign currency accounts with banks in India, the accounts being designated as "Exchange Earners Foreign Currency Accounts (EEFC Accounts)." Further, the Reserve Bank has decided to use the US dollar as its intervention currency, instead of Pound sterling, since the major portion of India's external merchandise trade is invoiced in US dollar.

Exports of certain specific items continued to receive special rates under Replenishment (REP) Licence System. All Export Oriented Units (EOUs)/Export Processing Zones (EPZs) were eligible for Eximscrips at 30 per cent of net foreign exchange earnings (NFE), whereas, high value-added agricultural products, electronic and other items enjoyed Eximscrips at 40 per cent of NFE. A number of items were decanalised.

The procedure for capital goods imports was simplified. The requirement of indigenous availability clearance for import of capital goods (other than those in the restricted list) was dispensed with for new/expanding units subject to full foreign equity cover or a ceiling of 1/4th of the value of imports. Subsequently, on August 13, 1991, a number of items pertaining to exports and imports were decanalised.

To expedite essential import payments, exporters were allowed to open foreign currency accounts in approved banks and also to raise external credits to pay for export-related imports.

Subsequently, on March 31, 1992 a five-year Export and Import (EXIM) Policy effective from April 1, 1992 was announced as a part of structural reforms and to provide a further thrust to the process of trade liberalisation. The new EXIM Policy, which will coincide with the Eighth Plan period, has replaced the Import and Export Policy, 1990-93. It substantially eliminates licensing, quantitative restrictions and other regulatory controls.

The major provisions of the EXIM Policy are summarised as under:

1. Free exports and imports,

Under the new policy, exports and imports are allowed freely subject to regulation by a Negative List of exports or a Negative List of imports, as the case may be. The lists consist of goods, the import or export of which are prohibited, restricted through licensing or otherwise, or canalised. The Negative List of exports consists of 7 prohibited items, 62 items subject to restrictions (of which 51 items are subject to licensing and 11 items to quantitative ceilings) and 10 items canalised. The Negative List of imports consists of 3 prohibited items, 68 restricted items and 8 canalised items. Further, the 'actual user condition' in respect of items which are licensable may be specifically dispensed with by the licensing authorities.

On September 23, 1992, the Negative List of imports was shortened by deleting cod liver oil (other than pharmacopoecial grade) and squid liver oil or a mixture thereof from the list. These items can now be imported freely. Further, crude palm stearin handled by the STC and vitamin-A and pre-mixes of vitamin-A have been decanalised. Persons holding an industrial licence or an approval or authorisation from the Secretariat for Industrial Approvals or DGTD registration to manufacture crude palm stearin will be permitted to import this item.

2. Quality,

It has been announced, for the first time, that it is the policy of the Government to encourage manufacturers and exporters to attain internationally accepted standards of quality for their products. With this objective in view, there is a provision to reward suitably the manufacturers who have acquired the ISO 9000 certification or BIS 14000 certification or other internationally recognised certification of quality. Such manufacturers will be eligible for grant of special import licence under a scheme to be notified in this behalf. The scheme was announced on October 21, 1992. For details see Special Import Licence on page 22.

3. Export Promotion Capital Goods (EPCG), Scheme

The Export Promotion Capital Goods Scheme was introduced in the previous EXIM Policy with a concessional rate of customs duty of 25 per cent of c.i.f. value of capital goods imported by manufacturer-exporter who undertakes an obligation to export three times the c.i.f. value of the goods permitted for imports over and above his average exports for the past three years, within a period of four years from the date of import of the capital goods. Another tier has been introduced during the current policy whereby the concessional duty will be only 15 per cent of c.i.f. value of capital goods imported on the condition that the export obligation will be four times the c.i.f. value of such imports and should be completed within five years from the date of import of the capital goods.

4. Duty Exemption Scheme,

To provide a boost to exports, the new policy under the Duty Exemption Scheme has allowed selective duty-free imports which are required for the purpose of export production under five categories of licences — Advance Licence, Value-based Advance Licence, Quantity-based Advance Licence, Advance Intermediate Licence, and Special Imprest Licence — subject to the fulfilment of a time bound export obligation and value addition as may be specified. Star Trading Houses, Trading Houses and Export Houses will be eligible

for a scheme of self-certification and self-declared Pass Book under the Advance Licence Scheme. Exporters of other products, as may be specified by the Chief Controller of Imports and Exports* may also avail themselves of the scheme.

5. Deemed Exports,

The definition of 'Deemed Exports' has been streamlined to include supplies against licences issued under Duty Exemption Scheme, Export Promotion Capital Goods Scheme or supply of goods in India to (i) foreign ships and airlines, (ii) units located in EOUs and EPZs, (iii) ONGC, OIL and GAIL for their off-shore and on-shore exploration, drilling and production operations, (iv) projects financed by some specified multilateral or bilateral agencies and (v) supply of capital goods to fertiliser plants by the Indian main contractors if made under the procedure of international competitive bidding. This streamlining is subject to the condition that the goods are manufactured in India and the payment is received in Indian rupees.The benefits such as Duty Exemption Scheme, Duty Drawback Scheme, Refund of Terminal Excise Duty and Special Import Licences have been extended to such 'Deemed Exports.'

Export Promotion Measures

The Government has, over the years, been undertaking several export promotion measures aimed at encouraging a rapid growth in exports in order to earn the much needed foreign exchange. During 1991-92, the need for export promotion measures was felt all the more due to depleted foreign exchange reserves as also on account of a dip in the export growth. With this end in view, the Government announced the downward adjustments in the external value of the Rupee and introduced major reforms on July 4, 1991 and August 13, 1991.

As a consequence of downward adjustments in the rupee value, it was felt that the additional benefits to the exporters in the form of Cash Compensatory Scheme (CCS) became redundant and hence it was abolished. The Replenishment Licences were replaced by a new instrument called Eximscrips, which was an enlarged form of REP with a uniform REP rate of 30 per cent of f.o.b. value instead of the then prevailing varying rates between 5 — 20 per cent of f.o.b. value. The introduction of the Eximscrips represented a structural change in the trade policy which sought to achieve optimal import restraint by linking imports to exports. All supplementary licences for raw materials and components except for small-scale industries and for manufacture of specified drugs and equipment, the category of unlisted Open General Licence (OGL) and additional licences granted to Export Houses were abolished and all such imports were to be routed through the Eximscrips. However, the Eximscrips scheme faced many operational and other problems and was subsequently abolished with the introduction of the LERMS effective since March 1, 1992.

Exports to General Currency Area (GCA) were declared eligible for Eximscrips valid for imports from these areas only. However, till end-December 1991, exports to Rupee Payment Area (RPA) continued to be eligible for REP licences at the rate prevailing prior to July 4, 1991 for GCA imports.

Advance Licence as an instrument of export promotion was strengthened through removal of procedural delays, dispensing with the clause of substantial manufacturing activity in respect of exports to GCA, though value addition norm was kept unchanged, and introduction of a new scheme of Transferable Advance Licence for the GCA exports in respect of certain thrust sectors. Further, exporters would be in a position to obtain a Release Order for domestic supply against Advance Licence under which the domestic supplier would derive the benefit of deemed exports. Apart from this, streamlining the procedure for obtaining Bank Guarantee and Legal Undertaking, accommodating import price fluctuations within the overall c.i.f. value of Advance Licence and allowing an exporter to revert to the Duty Drawback regime in case of rejection of Advance Licence facility, etc., were introduced.

The Board of Trade was reconstituted to function as an apex forum to facilitate interaction

* The Chief Controller of Imports and Exports has been re-designated as Director General of Foreign Trade with effect from June 19,1992.

among industry, trade and the Government. State governments were requested to exempt exports from all fiscal levies to enable exporters to be internationally competitive.

Extensive changes were also made in the working of EOUs and EPZs. The duty applicable on Domestic Tariff Area (DTA) sales from these units was reduced vis-a-vis normal customs duty subject to the condition that the duty payable should not be less than the excise duty on the same product. The ratio of DTA to export sales was increased in favour of the former in case the use of indigenous raw material exceeded 30 per cent of production. To encourage exporters to set up these units, the Net Foreign Exchange (NFE) earned by them could be clubbed with the earnings of their parent/ associated companies in the DTA for according Export House, Trading House or Star Trading House status to the units in EPZs. The International Price Reimbursement Scheme (IPRS) for supply of iron and steel to exporters was also extended to these units. Capital goods imports were allowed automatically provided they were fully covered by foreign equity/import requirements subject to a ceiling in the value of plants and equipment. Besides, several specific concessions were extended to these units.

The range of items which could be imported against additional licences was widened for Export/ Trading/Star Trading Houses. Effective April 1, 1992, additional Eximscrips at the rate of 5 per cent of the f.o.b. value of exports were granted subject to the abolition of additional licences.

Against this backdrop, the new EXIM Policy 1992-97, was announced on March 31, 1992 which contained several incentives to promote the growth of exports. These are detailed below:

1) Exports are allowed freely subject to regulation by a Negative List. Further, the EXIM Policy contains a list of 46 exportable items for which no licence is required but the exporter shall satisfy the terms and conditions specified with respect to each item. The prohibited items of exports include all forms of wild life including their parts and products, exotic birds, all items of wild flora included in Appendix 1 of the Convention on International Trade in Endangered Species, beef, human skeletons, tallow, fat and/or oils of any animal origin (excluding fish oil) and wood and wood products.

2) Existing Diamond, Gem & Jewellery Export Promotion schemes are continued with little modification. Exporters of gems and jewellery may import their inputs by obtaining Replenishment Licences and Diamond/DTC Import Licences from the competent authorities in accordance with the procedure specified in this behalf. Gold/silver jewellery and articles may be exported under various schemes.

3) The benefits such as Duty Exemption Scheme, Duty Drawback Scheme, Refund of Terminal Excise Duty and Special Import Licences have been extended to deemed exports.

4) The central role of Export Promotion Councils (EPCs), Export Houses, Trading Houses and Star Trading Houses has been recognised. Registration-cum-Membership Certificate (RCMC) by EPCs will continue to be an essential requirement for any importer/exporter to avail of the benefits and concessions under the new policy.

5) Those units which have already been recognised as Export Houses, Trading Houses, and Star Trading Houses will continue to enjoy the status. However, for renewal or for grant of such recognition, the criterion (with effect from April 1, 1992) shall be the average annual NFE earned during the three preceding years (Rs. 6 crore, Rs. 30 crore and Rs. 125 crore, respectively, for Export Houses, Trading Houses and Star Trading Houses) or the NFE earned during the preceding year (Rs. 12 crore, Rs. 60 crore and Rs. 150 crore, respectively, for Export Houses, Trading Houses and Star Trading Houses), whichever is satisfied.

Double and triple weightage shall be given to the export earning of products manufactured by SSI and handicraft sectors, respectively.

6) The schemes of EOU and EPZ have been liberalised and such units may be engaged in manufacture, acquaculture, animal husbandry or similar activity. Units engaged in service activities may also be considered on merits. They are allowed several duty-free imports and they may source the capital goods from a domestic leasing company. The unit shall achieve a minimum Value Addition (VA) of 20 per cent but units engaged in the manufacture of production of items specified in Appendix I of the new policy (i. e. Minimum Value Addition Requirement for certain items) shall achieve the VA norms indicated therein.

An EOU/EPZ unit may export goods manufactured by it through an Export House/ Trading House/Star Trading House recognised under this policy. Further, inter-unit transfer of manufactured goods and sub-contracting part of their production for job work to units in the DTA on a case-by-case basis may be permitted by the Development Commissioner.

The entire production of EOU/EPZ units shall be exported except (i) rejects up to 5 per cent or such percentage as may be fixed by the Board of Approvals, which may be sold in the DTA subject to the payment of appropriate duties and (ii) 25 per cent of the production in value terms which may be sold in the DTA when the use of indigenous inputs is more than 30 per cent in value terms. When the use of such inputs is less than 30 per cent, DTA sale entitlement shall be subject to fulfilment of minimum value addition and export obligation.

Besides, the Government also effected various export control measures which were in the nature of imposing minimum/limited ceiling, export licensing, minimum export prices, quality control, restriction, banning, etc. The details of these control measures are presented in Appendix 1 (A).

Import Policy Changes

The year 1991-92 witnessed two divergent phases in Import Policy pursued by the Government. Phase I (upto February 12, 1992) of import compression, and Phase II (since February 13, 1992) of import liberalisation.

To rectify an unfavourable trade balance position, a number of measures were initiated by the Government and the Reserve Bank of India in order to conserve scarce foreign exchange reserves. The focus of the import management measures initiated by the Government and the Reserve Bank has been on curtailment of non-essential and low priority imports. The application of monetary and fiscal regulations was intended to relieve strains imposed on the external sector.

With the easing of the foreign exchange reserves position, the requirement of prescribed minimum cash margin which was imposed since October 1990 on payments of most imports other than capital goods was finally done away with by the Reserve Bank of India on February 12, 1992.

The various import liberalisation measures announced in the new EXIM Policy, 1992-97, are briefly detailed below:

1) Capital goods, raw materials, intermediates, components, consumables, spares, parts, accessories, instruments and other goods may be imported without any restriction except to the extent such imports are regulated by the Negative List. They may be imported by any person, whether he is an Actual User or not. However, if such imports require a licence, the Actual User alone may import such goods unless the Actual User condition is specifically dispensed with by the licensing authority.

2) The prohibited items under imports are tallow, fat and/or oils of any animal origin, animal rennet and ivory unmanufactured. The restricted items of imports include, among others, all consumer goods of industrial, agricultural, mineral or animal origin in any form and these can be imported only against a licence. The canalised items to be imported only by State-owned undertakings are petroleum products (IOC), fertilisers (MMTC), drugs (STC), vegetable oils and seeds (STC and HVOC), fatty acids and acid oils (STC) and cereals (FCI). Later in July 1992, high speed diesel was included in the list of canalised items.

3) **Second-hand Capital Goods Imports**

i) Second-hand capital goods may be imported with or without licence depending on the goods. The sectors for which licence is not required are printing and allied processes, garments/hosiery/made-ups, leather processing/finishing/manufacturing/leather apparel manufacturing, rubber and canvas footwear, sports goods, electric lamps, packaging and packaging material, forged hand tools, oil field services, writing instruments, sea food and any other sector as may be specified by a Public Notice. Any other second-hand capital goods may be imported in accordance with a licence issued on this behalf. The second-hand capital goods shall not be more than seven years old and shall have a minimum residual life of 5 years.

ii) Both new and second-hand capital goods including computer systems may be imported under the Export Promotion Capital Goods Scheme. Import of capital goods under the Scheme shall be subject to the Actual User condition. The Scheme has also been extended to components of capital goods with concessional duty of 15 per cent of c.i.f. value of capital goods permitted for imports.

iii) Under this Scheme, imports of duty-free raw materials, components, intermediates, consumables, parts, spares including mandatory spares and packing material required for the purpose of export production may be permitted by the competent authority. A quantity or value based Advance Licence may be given for a class or classes of export products in the same sector in order to provide flexibility to the exporter in achieving the value addition. An Advance Intermediate Licence is granted for the duty-free import of the above items by the intermediate manufacturer for supply under an agreement to the ultimate exporter holding a licence under the Duty Exemption Scheme. A Special Imprest Licence is granted for the duty-free import of the above items to main/sub-contractors for the manufacture and supply of products in some special cases.

4) With effect from February 13, 1992, the interest surcharge of 25 per cent on bank credit for imports (subject to 17 per cent minimum commercial rate of interest) was terminated. The import compression measures taken by the Reserve Bank of India and the Government substantially helped in restricting imports during 1991-92.

5) To bring down the cost of essential imported industrial inputs, the peak import tariff level which was lowered to a maximum of 150 per cent last year, was further reduced to a maximum of 110 per cent. Specifically, as regards capital goods, it is proposed to encourage new investment in export-oriented industries by moving to a lower duty rate at an accelerated pace. In pursuance of this, the duty rate on project imports and general machinery is reduced from 80 per cent to 60 per cent and that on capital goods for electronic industries, including project imports, from 60 per cent to 50 per cent. Import duty on other goods has also been lowered. However, 100 per cent EOUs and units in EPZs and Free Trade Zones (FTZs) will meet their requirement of imports at market rate and also convert their entire export earnings in convertible currencies at market rates. Provisions of LERMS are not applicable for deemed exports and trade and payments transactions with Romania and Czechoslovakia, as all transactions with these countries are settled in non-convertible rupees.

Recent Changes

As a part of the first set of comprehensive changes in the 1992-97 EXIM Policy, the Government on July 1, 1992, announced the following changes:—

(1) The EPCG Scheme and the scheme for import of new and second-hand capital goods under the Advance Licensing Scheme have been further liberalised. The value addition norms for 10 export products have been reduced and the definition of 'manufacture' has been expanded.

(2) Under the liberalised EPCG Scheme, it was announced that domestic manufacturers will

now be allowed to import components, free of duty, manufacture the capital goods and supply them to an EPCG licence holder. Earlier such imports attracted a customs duty of 15 per cent. If an EPCG licence holder makes available products using the imported capital goods to a manufacturer under the Advance Licensing Scheme, it will be counted towards fulfilment of export obligation by the latter. Besides, an EPCG licence holder will be allowed to import capital goods in semi-knocked down (SKD)/ completely-knocked down (CKD) condition or components of such goods and may assemble or manufacture the goods in his own unit. In addition, after he has fulfilled 50 per cent of his export obligation, an EPCG licence holder would no longer be required to execute with the licensing authority an indemnity-cum-guarantee bond supported by a bank guarantee. He will, instead, only be required to furnish a legal undertaking for fulfilment of the remaining export obligation.

(3) Certain amendments have also been made with regard to the condition on import of second-hand machinery. Such machinery will now be permitted to be imported (with licence) even if it is more than 7 years old as against the earlier stipulation that such machinery should not be more than 7 years old. However, the stipulation of 5 years minimum residual life has been retained to prevent a deluge of second-hand machinery entering the country.

(4) With regard to the import of second-hand capital goods without a licence, it has been announced that garments, hosiery, made-ups of all fibres as well as leather will now be allowed to be imported.

(5) The word 'manufacture' in the policy has been expanded to include processes such as refrigeration, repacking, polishing, labelling and segregation to aid the country's export promotion efforts in new areas which are agriculture, acquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry and sericulture. As regards 'consumer goods,' the new definition now also includes consumer durables and accessories, components, parts and spares of such consumer durables so as to enable manufacturers to import such 'consumer goods' without a licence.

(6) The ambiguity in respect of IPRS and Duty Drawback has also been removed. It has been stated that both IPRS and Duty Drawback will be available on products exported under the Duty Exemption Scheme and the benefits under the Duty Drawback Scheme shall be available to the extent of the excise paid on the indigenous imports used in the manufacture of products exported under the Duty Exemption scheme. Further, computer software will be allowed to be imported duty-free under this scheme.

(7) In respect of the issue of value based advance licences, the minimum value addition stipulation has been substantially scaled down in the case of 10 export products: cashew kernel, polyester staple fibre, graphite electrodes, carpets, colour-coated sheets, galvanised sheets, adhesives, opthalmic lenses and transformers.

(8) The Policy, for the first time, also has given a triple weightage to NFE earned from products manufactured by handlooms and handicrafts, hand-knotted carpets and silk products and the double weightage on NFE earned from products of the SSI continues.

(9) Regarding Diamonds, Gem & Jewellery Export Promotion Schemes, two new clauses have been added to the existing policy under which, apart from the Hindustan Diamond Company Limited and the Minerals and Metals Trading Corporation (MMTC), any exporter whose annual average export of cut and polished diamonds during the preceding three licensing years had not been less than Rs. 10 crore and who fulfils such other conditions as may be specified will be given bulk licences for the import of rough diamonds.

Besides, an exporter on re-exporting rough diamonds shall be eligible for import replenishment at the rate of 100 per cent of the c.i.f. value minus foreign exchange cost

of such re-export, including commission.

(10) In addition, the EOUs/EPZs will be permitted to market their products through Export/Trading/Star Trading Houses, and the extra realisation earned by the latter will be counted towards their export obligation.

(11) The Federation of Indian Export Organisations (FIEO) would be regarded as an Export Promotion Council. Any exporter or importer could become a member of an Export Promotion Council and on being admitted to membership, the applicant would be granted forthwith a Registration-cum-Membership Certificate (RCMC).

(12) The Government has also reduced the minimum value addition against advance licence for exports to RPA countries from 233 per cent to 100 per cent if the trade takes place through the clearing mechanism within the ambit of trade protocols with such countries. However, if the trade takes place in hard currency, outside the ambit of trade protocols with such countries, the value addition norms will be the same as applicable to exports to GCA countries.

(13) Further, exporters to the RPA countries will now be able to get their advance licences from the concerned authority without having to approach the headquarters.

(14) With a view to enable manufacturers and exporters to take responsibility of ensuring the quality of export products rather than depending upon export inspection agencies, the existing machinery for enforcement of compulsory quality control and pre-shipment inspection has been simplified and streamlined.

(15) According to the new measures, Star Trading Houses, Trading Houses and Export Houses have been exempted from the purview of compulsory pre-shipment inspection of all products notified under the Export Quality Control and Inspection Act, 1963.

(16) The Commerce Ministry has enlarged the list of commodities for 'thrust' or 'extreme focus' as part of its medium-term action plan to boost exports. The 15 broad 'thrust' sectors identified by the ministry earlier has been disaggregated and extended to cover new items.

(17) The Government has decided to continue the Duty Drawback facility for exporters who had imported certain inputs under the Duty Exemption Scheme under the earlier EXIM Policy. However, the drawback benefit will be available at reduced rates only. The rates would be in effect from June 1, 1992 till July 31, 1992. Exporters who have availed of the duty exemption in terms of advance licences issued prior to March 31, 1992 and who were entitled to some duty-free imported materials have been allowed reduced drawback rates.

(18) The Government has notified a special value based advance licensing scheme for import of fabrics free of customs duty by readymade garment exporters. The scheme will be available to both traders and manufacturers having a minimum export value of Rs. 1 crore in the preceding licensing year. The maximum value of a licence will be 20 per cent of the actual exports achieved in the preceding year.

The Government will set up a committee to examine whether the value addition norms or the NFE earned should be the sole criterion for evaluating the performance of 100 per cent EOUs and those set up in EPZs/FTZs.

The Government on September 22, 1992, further liberalised import of second-hand capital goods by allowing free imports in three more sectors, viz., ceramics, glasswares and automotive components. With this, the Government now permits import of second-hand capital goods without licence in 18 sectors.

(19) **Special Import Licence**

The Government on October 21, 1992 announced the introduction of Special Import Licences which are to be granted to deemed exporters, Export Houses/Trading Houses/

Star Trading Houses, manufacturers who have acquired prescribed quality standards and exporters to Asian Clearing Union (ACU) countries. These licences will be freely transferable in the market.

The value of Special Import Licences, except in the case of deemed exports, will be based on NFE which will be calculated on the basis of the f.o.b. value of exports minus the c.i.f. value of imports (other than capital goods) imported by the exporter, the c.i.f. value of all goods (other than capital goods) imported in the name of or through an associate or supporting manufacturer and the value of all payments made in foreign exchange by the exporter by way of commission, royalty, fees or any other charges. In the case of deemed exports, the NFE will be calculated by taking the invoice value of deemed exports as well as the value of all payments made in foreign exchange by way of commission, royalty, fees or any other charges related to the invoice value of the deemed exports.

The percentage at which the entitlement of the Special Import Licence will be calculated in relation to NFE will be as under:—

(i) Exports to ACU countries — 20 per cent

(ii) Deemed Exports — 15 per cent

(iii) Star Trading Houses — 10 per cent

(iv) Trading Houses — 7.5 per cent

(v) Export Houses — 5 per cent

(vi) Manufacturers acquiring prescribed quality certification — 5 per cent.

Free Trade Zones

As a consequence of the two-tier adjustment in the rupee exchange rates vis-a-vis the major international currencies and the announcements of several export promotion measures, total exports, in rupee terms, performed significantly well during 1991-92. However, the surge, as witnessed in total exports, was not reflected in exports from the EPZs as a whole. Exports from the EPZs did not register an encouraging performance during 1991-92 vis-a-vis 1990-91. During 1991-92, exports from all the zones at Rs. 1,178.6 crore rose by 20.0 per cent vis-a-vis 33.1 per cent and 43.0 per cent in 1990-91 and 1989-90, respectively. The share of exports from the EPZs in India's total exports declined marginally from 3.0 per cent in 1990-91 to 2.7 per cent during 1991-92 mainly due to lower growth rate in exports from the EPZs as compared to that in aggregate exports.

Exports from comparatively newer zones, i. e., Cochin, Falta, Madras and NOIDA, however, increased significantly during 1991-92 to Rs. 251.2 crore from Rs. 136.4 crore in 1990-91, a growth rate of 84.2 per cent. These four EPZs accounted for 58.4 per cent of the total incremental exports from all the EPZs, thus indicating a significant growth in export earnings from these new zones.

The number of units operating in these zones, however, increased from 339 in 1990-91 to 435 in 1991-92 (Table X-12).

1. **Kandla Free Trade Zone (KAFTZ)**

Kandla Free Trade Zone was established in 1965 as the country's first export processing zone. It is the leading multi-product exporting zone. Its exports consist of garments, knitwears, engineering goods such as compressors and high pressure hydraulic jetting equipments, etc.

Exports from KAFTZ, which maintained an accelerated pace of growth during 1987-88 to 1990-91, witnessed a set-back when the growth in total exports declined by 6.4 per cent during 1991-92 as against a rise by 33.1 per cent in 1990-91. The exports at Rs. 427.2 crore accounted for 36.2 per cent of the total exports in 1991-92 originating from all the zones compared to that of 46.5 per cent in 1990-91.

The zone exports to a large number of countries. The former USSR continued to be the major market with a share of 79.7 per cent in KAFTZ's total exports; the share was 89.0 per cent in 1990-91. A total of 107 units were operating in the zone.

The promotional measures undertaken as export promotion drive include printed publicity in newspapers and journals (within the country and abroad), printing and circulation (among entrepreneurs) of promotional literature both within India and abroad; and holding of periodical promotional meetings with prospective entrepreneurs at major centres.

2. Santacruz Electronics Export Processing Zone (SEEPZ)

The Santacruz Electronics Export Processing Zone, which was set up in 1974, was initially meant exclusively for export of electronics items. Subsequently, a Gem and Jewellery Export Complex was set up in March 1988. Expansion on second Gem and Jewellery Export Complex comprising 16 units is currently in progress.

Exports from the zone rose at a slower pace by 28.6 per cent to Rs. 500.2 crore in 1991-92 from Rs. 389.0 crore in the preceding year. However, against a growth rate of 34.0 per cent in 1990-91, the rise during the year under review was subdued. Despite this, the share of exports from the zone to the total exports from all zones increased from 39.6 per cent in 1990-91 to 42.4 per cent in 1991-92.

In respect of direction of export, the most important market was USA/Canada which accounted for substantial improvement in its share to 39.0 per cent of total export from this zone vis-a-vis 28.0 per cent in 1990-91, followed by East Europe/USSR (22 per cent). The areas, where India lost her share substantially in 1991-92 vis-a-vis the share in 1990-91, were the Far East and West Europe/UK. The total number of units operating in this zone as at end-March 1992 was 115.

3. Madras Export Processing Zone (MEPZ)

Madras Export Processing Zone is one of the four zones set up in 1984. It is a multi-product zone exporting items like garments, electronics and engineering goods, chemicals, plastic and rubber products, gem and jewellery, etc. The number of units licensed/established increased to 107 as at end-March 1992.

MEPZ has been the most prominent among the four newly established EPZs which has consistently performed well throughout the period since its inception with the highest level of exports among them. To cope with the increasing requirements, development of phase II of the zone has also been taken up.

During 1991-92, exports from the zone doubled to Rs. 122.5 crore from Rs. 61.3 crore during the preceding year. The impressive increase in export was due to a spurt in the increase of exports of garments as well as electronics exports.

4. NOIDA Export Processing Zone (NEPZ)

NOIDA Export Processing Zone, established in 1984, has attained the status of the second largest export processing zone, among the newly set up EPZs, in terms of value of exports. The number of operating units stood at 71 as at end-March 1992. The zone exports diverse items like, computer-cum-electronics, readymade garments, light engineering goods, etc.

Value of exports from NEPZ during 1991-92 increased by 61.5 per cent to Rs. 72.2 crore from that of Rs. 44.7 crore in 1990-91 and its share in total exports has gone up from 4.6 per cent to 6.1 per cent during the same reference period. The share of the GCA in the export from this zone increased from 75.4 per cent in 1990-91 to 83.4 per cent in 1991-92.

5. Falta Export Processing Zone (FEPZ)

Falta Export Processing Zone is also one of the four zones set up in 1984. The zone became operational in 1986. The number of units operating in the zone went up to 12 as at end-March 1992.

Exports from the zone amounted to Rs. 27.9 crore indicating a growth of 11.6 per cent as against a rise of 47.9 per cent during the preceding year.

The zone has been exporting commodities such as computer peripherals, sports goods, packed tea, gems and diamond jewellery, etc. Though major

market for exports from this zone has been the East European Bloc, exports to the GCA have peaked up quite rapidly in 1991-92 (when exports to the area increased by 61.5 per cent in 1991-92 vis-a-vis 1990-91).

6. Cochin Export Processing Zone (CEPZ)

Cochin Export Processing Zone is a multi-product zone established in 1984. The number of units operating in CEPZ remained the same at 23 as at end-March 1992.

During the year 1991-92, exports from the zone increased by more than five times to Rs. 28.6 crore from Rs. 5.4 crore in 1990-91 as against decline by 50.9 per cent in 1990-91. The cumulative exports since inception has amounted to Rs. 61.1 crore. Regarding direction of exports, more than 93 per cent of the exports were made to the General Currency Area vis-a-vis 44.0 per cent in the preceding year.

Table X-12 : Performance of Free Trade Zones

(Rs. Crore)

Zones	Exports 1989-90	1990-91	1991-92	No. of Units as on March 31, 1992
1. Kandla FTZ	338.3 (45.9)	456.6 (46.5)	427.2 (36.2)	107 (24.6)
2. SEEPZ	290.4 (39.4)	389.0 (39.6)	500.2 (42.4)	115 (26.4)
3. Madras EPZ	29.6 (4.0)	61.3 (6.2)	122.5 (10.4)	107 (24.6)
4. NOIDA EPZ	51.9 (7.0)	44.7 (4.6)	72.2 (6.1)	71 (16.3)
5. Falta EPZ	16.4 (2.2)	25.0 (2.6)	27.9 (2.4)	12 (2.8)
6. Cochin EPZ	11.0 (1.5)	5.4 (0.5)	28.6 (2.4)	23 (5.3)
Total	**737.6 (100.0)**	**982.0 (100.0)**	**1178.6 (100.0)**	**435 (100.0)**
Percentage Variation over previous Year	43.0	33.1	20.0	28.3

Note : Figures in brackets represent percentage share in total.
Source : Office of the respective Development Commissioner.
(P) : Provisional

100% Export Oriented Units (EOUs)

The scheme of 100% Export Oriented Units was introduced in 1980 with a view to generating additional exportable capacity through the provision of an appropriate policy framework, flexibility of operation and incentives. In order to make these units competitive in the international market, they are allowed to import machinery, raw materials, components and consumables free of customs duties and if procured indigenously, full remission of excise duty is available. These units operate under customs bond and have to achieve the level of value addition imposed by the Board of Approvals.

193 units have reported commencement of production and the cumulative exports from 100% EOUs by the end of March, 1991 amounted to Rs. 3,230 crore. Exports during first nine months of 1991-92, amounted to Rs. 563 crore.

With a view to providing further boost to exports from these units, some important changes were effected during 1991-92. The important ones include:

Revised procedure of applications under 100% EOUs was introduced which also provides for 'automatic approval' in certain cases.

The duty applicable on DTA sales from EOUs has been reduced by 50 per cent besides streamlining the procedure for DTA sales.

Powers of the Board of Approvals and Administration Ministries have been decentralised and delegated to the Development Commissioners of EPZs for EOUs, for being exercised by them under their respective charges to clear cases of import of additional capital goods, capacity enhancement, broad-banding and increase in value of capital goods imports owing to currency fluctuations.

Certain specific powers previously exercised by the Chief Controller of Imports and Exports under the Import Export Policy such as DTA sales, deemed exports, monitoring of exports, etc., have been decentralised and delegated to the Development Commissioners of EPZs for EOUs within their jurisdiction.

The scheme of International Price Reimbursement for supply of iron and steel has been extended to 100% EOUs.

To encourage larger companies to set up EOUs, the facility of 'clubbing' of the export earnings from these units with their other export earnings for the purpose of according status (and incentives) of Export Houses/Trading Houses/Star Trading Houses has been introduced.

Establishment of private bonded warehouses in EPZs for duty-free import, store and supply of raw materials components, etc., to approved 100% EOUs has been agreed to.

Customs procedures for 100% EOUs has been simplified in the areas of supply/transfer of finished goods among themselves, bond for obtaining import clearance, disposal of obsolete machinery, import of additional duty-free fax machine, excise duty exemption for the captive power plant, etc.

III. SPECIALIZED FOREIGN TRADE AGENCIES

State Trading Corporation of India (STC)

The State Trading Corporation of India plays a significant role in India's trade as a major canalising agency for exports and imports. During 1991-92, exports by the Corporation rose by 69.4 per cent to Rs. 625 crore in sharp contrast to a fall of 50.0 per cent to Rs. 369 crore in 1990-91. Imports, on the other hand, declined by 54.3 per cent to Rs. 609 crore as against an increase of 24.5 per cent recorded during the previous year (Table X-13).

Exports : During 1991-92, canalised exports rose by 107.1 per cent to Rs. 234 crore from Rs. 113 crore in the previous year. Substantial increases were recorded in the export of sugar and molasses. During the year under review, the share of canalised exports in total exports improved to 37.4 per cent from 30.6 per cent in the previous year. Non-canalised exports, too, recorded an increase of 52.7 per cent to Rs. 391 crore from Rs. 256 crore during the previous year. Items that contributed to the rise in non-canalised exports were extractions, tea, wheat, drugs and chemicals, engineering and construction materials. The share of non-canalised exports in total exports, however, declined to 62.2 per cent in 1991-92 from 69.4 per cent in 1990-91.

Imports : During 1991-92, canalised imports declined by 54.3 per cent to Rs. 598 crore from Rs. 1309 crore in 1990-91. Items that contributed to the decline included edible oils, fatty acids, natural rubber and drugs and chemicals. Imports of edible oils and fatty acids fell by as much as 74.0 per cent and 64.2 per cent, respectively, over the levels recorded in the previous year. Non-canalised imports, too, declined by 52.2 per cent to Rs. 11 crore during 1991-92.

Table X-13 : Exports and Imports by STC-major items

(Rs. crore)

Items	1990-91	1991-92
A. Exports (I+II)	**369**	**625**
I. Canalised	**113**	**234**
of which :		
Sugar	52	183
Castor oil	4	3
Alcohol	22	16
Molasses	25	32
Opium	10	
II. Non-canalised	**256**	**391**
of which :		
Coffee	5	3
Tobacco	1	1
Tea	2	14
Extractions	21	41
Sesame seed/etc	3	1
Castor oil (NC)	5	1
Rice	6	6
Wheat	12	64
Cashew		25
Natural rubber		9
Alcohol and molasses		12
Drugs and chemicals	29	40
Engineering goods and Construction materials	13	18
Consumer goods	9	4
Fresh and processed foods	6	2
Spices	1	9
Meat and meat products	3	
Textiles	7	9
Jute goods	14	2
Sports goods	2	4
Leather group	34	27
Special trading arrangement (counter trade)	83	99
B. Imports (Sales value) (I+II)	**1332**	**609**
I. Canalised	**1309**	**598**
of which :		
Edible oils	836	217
Fatty acids	95	34
Newsprint	292	331
Natural rubber	72	13
Drugs and chemicals	14	3
II. Non-canalised	**23**	**11**

Minerals and Metals Trading Corporation (MMTC)

The Minerals and Metals Trading Corporation, the main canalising agency for export of major minerals and import of critical raw materials like non-ferrous metals, fertilizers and steel recorded an accelerated rate of growth in its turnover during 1991-92. Total turnover of the Corporation increased by 43.6 per cent to Rs. 8,027 crore from Rs. 5,591 crore in 1990-91 (Table X-14).

During 1991-92, exports of the Corporation at Rs. 1,786 crore registered a growth of 34.8 per cent in contrast with a lower growth of 15.4 per cent during 1990-91. Canalised exports at Rs. 837 crore during 1991-92 were higher by Rs. 207 crore or by 32.9 per cent over the year and contributed 45.0 per cent of total incremental exports. Iron ore continued to be the principal item of canalised exports. Manganese ore, chrome ore, coal and bauxite were the other items. Non-canalised exports rose by 36.5 per cent to Rs. 949 crore from Rs. 695 crore in 1990-91. Under the non-canalised exports, diamonds, gem stones and jewellery and exports through countertrade were the more prominent items.

Imports by MMTC were, by and large, restricted to canalised items which amounted to Rs. 6,092 crore during 1991-92 and formed 97.6 per cent of the total import turnover of the Corporation. Imports of fertilizers at Rs. 5,275 crore registered a sharp rise of 86.0 per cent and accounted for 86.6 per cent of total canalised imports during the year. Imports of non-ferrous metals and steel, the other two major items, together showed decline of about 29.8 per cent during the year under review. Non-canalised imports at Rs. 149 crore formed 2.4 per cent of the aggregate import turnover. Over 1990-91, non-canalised imports showed a decline of 24.0 per cent.

Table X-14 : Exports and Imports by MMTC —Major Items

(Rs. crore)

Items	1990-91 (Actuals)	1991-92 (Actuals)
1	2	3
A. Exports		
I. Canalised		
Iron ore	525	709
Manganese ore	41	41
Chrome ore	43	69
Coal	11	16
Others	10	2
Total - I	**630**	**837**
II. Non-canalised		
Iron ore concentrates	6	9
Diamonds, gem stones and gold jewellery	169	236
Off-shore trade	21	9
Counter-trade	372	447
Project exports	58	14
Others	69	234
Total - II	**695**	**949**
Total - (I+II)	**1,325**	**1,786**
B. Imports		
I. Canalised		
Non-ferrous metals	639	377
Steel	508	428
IRM	87	12
Fertilizers	2,836	5,275
Total - I	**4,070**	**6,092**
II. Non-canalised		
Diamonds	56	75
Non-ferrous metals	138	61
Others	2	13
Total - II	**196**	**149**
Total - (I+II)	**4,266**	**6,241**

Trade Development Authority (TDA)

The Trade Development Authority was established in 1970 as a multi-product export promotion institution under the Ministry of Commerce. The important objectives of TDA are to identify and nurture specific products with long range export growth prospects, locate and cultivate specific buyers in select ovearseas markets which have increasing trade potential, bring about durable merchandising contracts between select Indian

suppliers and overseas buyers, provide package of services to execute such contracts, organise trade intelligence on modern lines and to promote the creation of additional capacities in sectors which have export potential. Being a promotional institution, TDA acts mainly as a catalyst and strives to concentrate on specific products, specific exporters, specific markets/buyers without entering into direct commercial transactions.

Following the liberalisation of controls and the simplification of policies, procedures and institutional arrangements announced by the Government of India in the recent past for the development of exports, the Ministry of Commerce, with a view to further this effort, has merged the TDA with the Trade Fair Authority of India to form a new organisation under the name of 'India Trade Promotion Organisation (ITPO)'. The main objectives of the ITPO will be to develop and promote exports, imports and upgradation of technology through the medium of fairs to be held in India and abroad, to assist Indian companies in product development, to organise export development programmes, buyer-seller-meets, contact promotion programmes and integrated marketing programmes for specific products in specific markets.

The important export promotion activities undertaken by TDA (ITPO since January 1, 1992) during 1991-92 are given below:

(A) India Promotion Programme in Department Stores abroad

The TDA has developed the technique of promoting Indian goods through Department Stores. Such promotions not only generate export orders but also create awareness among the overseas consumers about India as a potential supply source.

During the year under review, the TDA organised three promotion programmes in association with Harrods (UK), Galleries Lafayette (France) and Hanshin Department Store, Osaka (Japan). Indian merchandise worth Rs. 12.6 crore were purchased by these stores. These programmes gave the much needed publicity to Indian merchandise and created awareness abroad about India as a major supply source. Repeat orders were also received.

(B) Buyer-Seller Meets (BSM)

The TDA organised Buyer-Seller Meets in different countries to optimise our exports through intensive marketing efforts.

The TDA organised Buyer-Seller Meets for fashion garments and accessories in Osaka (Japan) and for Autumn/Winter garments in Tokyo. These Meets resulted in orders worth Rs. 54.4 crore and enquiries valued at Rs. 67.6 crore.

(C) Trade Fairs and Exhibitions

The TDA continued to assist a large number of Indian manufacturers and exporters in publicising their products through specialised overseas trade fairs and exhibitions. During 1991-92, it participated in the International Automobile Austellung (IAA), Frankfurt (Germany), the Asian Automotive and Accessories Exhibition (Singapore) and the International Cycle and Motorcycle Exhibition, Milan (Italy). These fairs and exhibitions resulted in orders worth Rs. 87.7 crore besides enquiries worth Rs. 122 crore.

(D) Integrated Marketing Programme (IMP)

Integrated Marketing Programmes are designed to meet both product development and marketing needs of specific products in specific markets. During 1991-92, an IMP for builders' hardware in UK, Germany and France was initiated under technical and financial assistance from the Commonwealth Secretariat, London.

(E) Product Development Programme

In order to upgrade quality levels and advice Indian industry on product development in Auto sheet metal components for export, the TDA undertook a Product Development Programme with the assistance of JETRO, Japan which comprised of visit of a delegation of Indian manufacturers to Japan to study methods employed by Japanese manufacturers, visits of experts from Japan to India

for plant visits and advising Indian manufacturers and holding of a seminar on Japanese techniques on tools, dye and mould manufacturing in Delhi.

(F) Samples

The TDA has been securing samples of products from overseas countries for the guidance and benefit of its members. Such samples are necessary to study the standards, specifications, designs, packaging, consumer requirements, etc. and they play a vital role in product development for successful entry to export markets. Till December 1991, 52 samples of consumer and engineering products were received from buyers and TDA overseas offices. The samples were referred to select TDA members for study and counter development.

(G) Supply/Incountry Studies

The TDA carries out Supply Studies for select products and Incountry Studies to assess the supply base, product pattern and to identify problems of export production and marketing. During 1991-92, the TDA undertook the following Supply Studies/ Incountry Studies:

Supply Studies : Industrial Rubber products; Builders' Hardware; Cane and Bamboo Furniture; Kitchenware and Industrial Leather Gloves.

Incountry Studies : Light and Light fittings; Processed fruits and vegetables; select Floriculture; Sportswear and Sports Shoes and Electric Motors.

(H) Short-term forecasts on India's exports

The TDA prepared short term forecast on India's exports on the advice of the Ministry of Commerce. The main objective of the project is to give advance projections on India's exports, commodity/product group-wise, on quarterly basis.

(I) Seminars/Training Programmes

The TDA organised a training programme for export development of Small and Medium Enterprises (SME) for UP Export Corporation at different places in the state. Also, a programme on "How to start an export business" was organised by TDA in association with FICCI Ladies' Organisation at New Delhi. The programme covered all aspects of export trade right from selection of products/markets to claiming of incentives.

(J) Economic data kits

The TDA prepared data kits on West Europe and on South-East Asian countries. A data kit on South America is also planned for completion.

(K) Overseas Surveys/Studies

Overseas Surveys/Studies are undertaken to assess export potential in the selected markets, collect information relating to exports and imports, sources of supply, tariff and non-tariff barriers, prices, etc. The studies also suggest strategies for adoption for Indian exporters.

Handicrafts and Handloom Export Corporation (HHEC)

The Handicrafts and Handloom Export Corporation (HHEC) was set up in 1962 as a wholly owned subsidiary of the State Trading Corporation of India with the twin objectives of export promotion and trade development of handicrafts and handloom products. The HHEC exports include handicrafts (including handknotted wollen carpets), handloom fabrics, ready-made garments, gold jewellery and silver jewellery/articles. The products handled by HHEC are generally manufactured by artisans in their homes or in cottage industry.

During the fiscal year 1991-92, exports from the Corporation rose sharply by 254.4 per cent to Rs. 169.2 crore from Rs. 47.7 crore during the preceding year. Exports of gold jewellery, with a share of 80.6 per cent in the Corporation's total exports, rose by 453.1 per cent to Rs. 136.3 crore from Rs. 24.6 crore during 1990-91 and accounted for 92 per cent of the total increase during 1991-92. Other important items in the basket of HHEC's exports which increased during the year

included handlooms (Rs. 14.9 crore) and readymade garments (Rs. 12.7 crore). Silver jewellery/articles with a negligible share in HHEC's total exports also recorded a fractonal rise. For the year 1992-93, the Corporation has set an export target of Rs. 133.8 crore.

The Cashew Corporation of India (CCI)

The Cashew Corporation of India, a fully owned subsidiary of the State Trading Corporation of India, was set up in 1970 as a canalising agency for import of raw cashew nuts for supply to the export oriented sectors of cashew industry. With the decanalisation of raw cashew nuts in 1981, the Corporation concentrated its activities on export of cashew nuts.

During 1991-92, exports of cashew nuts by the Corporation rose by 162.1 per cent to Rs. 25.2 crore from Rs. 9.6 crore during 1990-91. In terms of volume, quantity of its exports rose by 76.4 per cent during the year as compared with a rise of 14.3 per cent during 1990-91. Unit value realisation improved to Rs. 139.0 per kg. from Rs. 93.6 per kg. in the preceding year and was singificantly higher than that of Rs. 103.3 per kg. and Rs. 88.6 per kg. respectively, obtained for India's total exports of cashew nuts. Destination-wise, the USA and Australia accounted for 53 per cent of the total exports made by the Corporation during the year. Other important markets were Japan and Hongkong, together accounting for a share of 30.9 per cent. The Corporation has set a target of Rs. 30 crore for 1992-93.

Mica Trading Corporation of India Ltd. (MITCO)

The Mica Trading Corporation of India was established in 1974 as a canalising agency of the Government for the exports of processed mica and mica scrap. However, with effect from October 1990, exports of processed mica were decanalised.

During the year 1991-92, exports by the Corporation declined significantly by 66.8 per cent to Rs. 6 crore from Rs. 18 crore during the preceding year. The decline in exports can be attributed mainly to decanalisation of exports of processed mica since October 1990 and also to lower off-take by the East European Countries. Destination-wise, the exports went to more than 25 countries with the erstwhile USSR, Japan and the USA being the major markets. While the RPA accounted for 15.6 per cent of its total exports, the share of the GCA was 84.4 per cent. During 1991-92, the Corporation undertook several promotional measures, viz., market promotion tours abroad, organised buyers-sellers meets to have close interaction with the buyers and rationing of prices of the mica items dealt by MITCO. For the year 1992-93, the Corporation has set an export target of Rs. 6.6 crore.

Tea Trading Corporation of India (TTCI)

The Tea Trading Corporation of India, a subsidiary of the State Trading Corporation of India since 1986, was established in 1971 to create a stable export market for Indian tea, particularly in the value added forms, viz., packed tea, tea bags, etc. Besides, the Corporation also caters to activities like marketing tea for domestic consumption, management of tea gardens, warehousing of tea and establishment of other facilities beneficial to the Industry.

During 1991-92, exports by TTCI registered a turnaround with exports of tea increasing by 76.4 per cent to Rs. 30.7 crore in contrast to declines of 26.9 per cent and 8.9 per cent during 1990-91 and 1989-90, respectively. However, in volume terms, the deceleration in exports continued and during 1991-92 it declined by 32.9 per cent as compared with a decline of 36.4 per cent during 1990-91 reflecting thereby an increase in unit value realisation which rose from Rs. 53.0 per kg. in 1990-91 to Rs. 139.4 per kg. in 1991-92. Destination-wise, the former USSR, the traditional market for India's tea, continued to be the major market accounting for 68.1 per cent of TTCI's exports (of which Kazakhstan, a constituent of the present CIS, accounted for 53.5 per cent). Other important markets for TTCI's tea exports were Germany, Japan and Afghanistan. TTCI has set an export target of Rs. 40 crore for 1992-93.

IV. TRADE AGREEMENTS AND ECONOMIC AND TECHNICAL COOPERATION AGREEMENTS

The Government of India enters into Economic and Technical Cooperation Agreements with different countries periodically. These agreements which are valid for a stipulated period are meant to promote bilateral trade and technical cooperation. While some agreements stipulate commodities in detail for imports and exports to be transacted during a given period along with value stipulations for both sides, other agreements indicate only broad guidelines for promotion of trade and technical cooperation. In the case of those agreements which indicate only broad guidelines, annual protocols are signed after considering the present needs of both the countries and international economic environment. The commodities to be covered for both imports and exports along with value stipulations are also given. The agreements facilitate smooth business transactions between the two countries and both exporters and importers in both the countries find these arrangements convenient. During the year 1991-92, such trade protocols/agreements were signed by India with many countries and these details are given in Appendix III.

V. INTERNATIONAL TRADE NEGOTIATIONS

Generalised System of Preferences (GSP)

The GSP is an autonomous policy instrument for the promotion of exports, industrialisation and the development of developing countries. It has played an important role in promoting the exports of developing countries. However, the utilisation rate of the system has remained low due to the exclusion of some sensitive products, application of country and product graduation and imposition of non-tariff measures on GSP-covered products. Certain other factors such as unilateral withdrawal of preferential treatment given to some developing countries by some preference-giving countries and trend towards international trade regionalisation and new free-trade agreements among developed countries have restrained the full benefit of the GSP to preference-receiving countries. In order to bring about improvement in the utilisation rate of the GSP, there is a need on the part of the preference giving countries to increase preferential margins and duty-free treatment offered under existing schemes and to reduce or eliminate non-tariff barriers linked to the GSP schemes. There is also a need for improved product coverage, greater stability and predictability and improved transparency and simplicity under the scheme.

GATT

The GATT membership has increased to 105. The People's Republic of China is negotiating for accession to the GATT system. The case of Taiwan's accession is under consideration. The GATT members have to assume obligations in terms of their trade policies which have become more stringent over the years.

In view of close interaction between international trade and environment issues and the need for multilateral cooperation in the environmental field, GATT has activated the Group on 'Environmental Measures and International Trade' to consider the trade provisions in environmental agreements vis-a-vis the obligations of contracting parties under the GATT.

Dunkel Draft

The Draft Final Act (DFA) tabled by Mr. Arthur Dunkel, Director General of GATT, represented a complete and consolidated package of draft agreements reflecting the outcome of intensive negotiations among participants under the Uruguay Round. The DFA contained four annexes : (i) trade in goods (market access, rules, agreements and arrangements, agriculture, safeguards, trade-related aspects of investment measures, textiles and clothing and dispute settlement, etc.); (ii) trade in services; (iii) trade-related aspects of intellectual property rights; and (iv) an agreement establishing a Multilateral Trade Organisation (MTO).

The DFA did not contain the schedule of commitments in the area of market access on goods, internal support and export competition in agriculture, and initial commitments on services. The negotiating groups under the Group of Negotiations on Goods except the Market Access Group have ceased to exist from January 1992.

The main features of the DFA are summarised as under :

Agriculture

The DFA provides for the complete tariffication of all border measures, other than ordinary custom duties, using 1986 to 1988 data as the base period. It proposes reduction of all tariffs including those resulting from tariffication of all non-tariff measures on a simple average basis by 36 per cent, with a minimum reduction of 15 per cent on a single tariff line during the period 1993 to 1999.

In the area of domestic support, the DFA proposes a reduction of 20 per cent during 1993-1999 taking 1986-1988 as the base period. There would be no need for reduction in domestic support if it did not exceed 5 per cent (10 per cent for developing countries) of the total value of production of basic products (in the case of product-specific supports) or of the value of total agricultural production (in the case of sector-wide support). The developing countries are, however, exempted from reduction commitments on investment subsidies to agriculture, input subsidies to low income or resource-poor producers and support provided to encourage diversification from growing illicit narcotic crops.

As regards export subsidies, the proposal suggests reduction of 36 per cent in terms of budgetary outlays and 24 per cent in terms of quantities of subsidised exports during 1993 to 1999 using 1986 to 1990 data as the base period. However, it permits developing countries (DCs) to subsidise the costs of marketing agricultural exports and exempts the least developed countries from reduction commitments. Further, it allows DCs to have flexibility in applying lower rates of reduction in market access, domestic support and export subsidies. The Draft underlines the need to ensure that agricultural trade reform does not adversely affect the availability of food aid to net food importing DCs.

Rules of Origin

The draft sets out rules of origin whose justification is not in terms of a preferential trade arrangement. It has aimed at harmonisation of rules of origin, which would be carried out in conjunction with the Customs Cooperation Council in Brussels.

Market Access

The DFA makes provision for agreed tariff reductions to be implemented in equal annual rates from January 1, 1993 with the total reduction becoming effective not later than January 1, 1997. The basic objective is to reduce overall tariffs by one-third.

Subsidies and Countervailing Measures

The DFA classifies subsidies into three categories of prohibited, actionable and permitted subsidies (red, amber and green box, respectively). Prohibited subsidies are those contingent upon export performance or the use of domestic over imported goods. Actionable subsidies are those which have adverse effects in the form of injury to domestic industry of another signatory, nullification or impairment of their benefits under the General Agreement and 'serious prejudice' to their interests. The presumption of serious prejudice is determined if

a) total ad valorem subsidisation exceeds 5 per cent;
b) subsidies cover operating loss of either an industry or a single enterprise; and
c) subsidies cover direct forgiveness of government-held debt or involve grants to cover debt repayment.

It allows the importing country to impose countervailing duty in the event of establishment of the fact that subsidised imports caused injury to domestic industry. The duty should not exceed the subsidy and should be less if that is adequate to remove injury to the domestic industry. In view of the important role of subsidies in economic development, the Draft exempts the least-developed countries from the ban on export subsidies while developing countries with a per capita GNP of less than $ 1000 per annum are to be exempted from the prohibition on export subsidies for a period of eight years from the date of enforcement of the Agreement.

Safeguards

The DFA clarifies the circumstances in which an import can be subject to safeguard measures. In general, the product must be imported in such increased quantities, both absolute and relative to domestic production and under such conditions as to cause or to threaten "serious injury" to the domestic industry producing a 'like product'. It allows application of safeguard measures only to the extent and for the period necessary to prevent or to remedy serious injury and to facilitate adjustment and, in any event, should not exceed four years. The draft provides for exemption of DCs from safeguard measures if their share in total imports is less than 3 per cent (individually) and 9 per cent (collectively).

Anti-dumping

The draft agreement defines a dumped product to be one whose export price is less than the comparable price for the like product when defined for consumption in the exporting country. It sets out criteria in detail for the determination of injury or threat of material injury, which is required for anti-dumping duties to be imposed definitively. It also outlines measures to prevent circumvention of definitive anti-dumping duties.

Pre-shipment Inspection

It covers guidelines relating to non-discriminatory treatment, transparency, standards of quality of products, price verification, etc.

Trade-Related Intellectual Property Rights (TRIPs)

The draft agreement on TRIPs, covering major areas of intellectual property rights (IPRs), obliges contracting parties to extend 'national treatment' (i. e., the same treatment to domestic and foreign right-holders) and most favoured nation (mfn) treatment (i. e., non-discrimination between trading partners) to other parties. However, it allows them to adopt measures needed to prevent abuse of IPRs by right holders and to protect the public interest and sectors of vital importance to socio-economic and technological development, provided these are consistent with the provisions of the Agreement. Under the draft agreement, patent protection will be available for almost all inventions, whether of products or processes, in all fields of technology for 20 years from filing date, and that for integrated circuits for 10 years, new or original industrial designs for at least 10 years and computer software will be treated under the Berne Convention for literary works; and trademarks will be protected indefinitely subject to renewal of registration. Keeping in view the concern of the DCs that TRIPs agreement should not form part of the GATT, the draft proposes the establishment of a Council for administration of the Agreement. However, the Council would function alongside GATT and be under the umbrella of the proposed MTO.

Under the transitional arrangements of the Agreement, TRIPs provisions are to come into effect for developed countries one year after the agreement comes into force, while developing countries and centrally-planned countries transforming themselves to market economies are allowed five-years' time period for effecting the TRIPs provisions. All least-developed countries are allowed a transitional period of ten years and developing countries would have further five years to enact legislation in areas where no patents exist, such as pharmaceuticals.

Trade-related Investment Measures (TRIMs)

The draft decision on TRIMs prohibits measures violating GATT's Article III (national treatment) and Article XI (quantitative restrictions) which may be in the form of local content requirements, import and export restrictions and export performance requirements. However, it allows developing countries to continue with measures put in place to meet balance of payments or economic development objectives. The draft proposals have lengthened the period allowed to eliminate TRIMs which have the effect of restricting or distorting trade in services: from one to two years for developed countries, from two to five years for developing countries, and from three to seven years for the least-developed countries.

Textiles and Clothing

The DFA proposes a four-stage formula, based on 1990 volumes, for the integration of restrictions

affecting the textile and clothing sector into the GATT framework within a period of ten years. The integration process relates to restrictions affecting products in four specified groups (tops and yarns, fabrics, made-up textile products and clothing). The integration schedule proposes integration by each party into the GATT from the specific list of products which in 1990 accounted for 4 per cent of the total volume of its imports prior to the agreement on integration coming into force. At the first stage beginning on January 1, 1993, restrictions affecting products accounting for not less than 12 per cent of imports of the specified group products in 1990 would be integrated into GATT, followed by integration of restrictions affecting not less than 17 per cent of the products on January 1, 1996, and of those affecting 18 per cent of the products on January 1, 2000. The remainder (49 per cent) would be integrated on January 1, 2003.

The DFA proposed a four-track work plan for the concluding phase of the Round which includes simultaneous moves to

(i) conclude the negotiations on market access on a bilateral, plurilateral and multilateral basis including negotiations on specific commitments on internal domestic support and export subsidies for agriculture;

(ii) intensive non-stop negotiations with continuous multilateral monitoring on initial commitments in services;

(iii) work to ensure the legal conformity and internal consistency of the agreements constituting the Final Act;

(iv) work at the level of the Trade Negotiations Committee with a view to examining whether and if it is possible to adjust the package in certain specific areas.

From the point of view of successful conclusion of the Uruguay Round, success in the negotiations on market access and on initial commitments in services is as important as the acceptance of the DFA itself. Under the negotiating process on market access each participant was to submit by March 31, 1992, final schedules of concessions and commitments for all products including agriculture. While the level of commitments contained in the offers of participants have improved considerably and many participants have confirmed their expectation of being able to meet and in some instances to significantly exceed an overall reduction of tariffs by one-third, difficulties have been expressed in providing agricultural offers based on tariffication across the board as called for in the DFA. Difficulties are apparent in the area of trade-off being sought between mfn exemption and initial commitment offers being made and also in the area of offers relating to trade in services.

The negotiating process in the Round seems to have been activated in November 1992 when the European Economic Community and the United States settled their long-running differences in agriculture.

International Agreements in respect of selected commodities during 1991-92

Food and Agriculture

At its twenty-sixth session (Rome, 9-28 November 1991), the FAO conference reviewed the food and agricultural situation at world, regional and country levels, and noted with concern the unfavourable economic environment for food and agriculture in 1990 and 1991. It was particularly concerned about the effects on world food security of the deletion of global cereal stocks.

The conference emphasised the need for developing strategies for sustainable agriculture and rural development to face up to the challenge of ensuring food security, eradicating poverty and conserving natural resources.

Wheat

At its 116th session (London, 3-4 December 1991), the International Wheat Council noted that about a third of world wheat trade was now carried out on subsidised terms, and credit sales accounted for about 60 per cent of total transactions. Regarding outlook for wheat in 1992-93, the council noted that world production in 1992 would be higher than in 1991, although world trade may be lower, the latter depending mainly on developments in the former Soviet Union.

Coffee

The first meeting of the Working Group on Future International Co-operation on Coffee (London, 4-6 December 1991) called for an urgent decision on a New International Coffee Agreement, recognition of a unified market without the current division between members and non-members, and the need to achieve greater equilibrium in the balance between supply and demand on the world coffee market.

Earlier, the Inter-African Coffee Organisation which met in Arusha (25-29 November 1991) agreed on new proposals for re-establishing the ICA with an export quota system. Their four-point plan involved eliminating the two-tier market which had existed prior to the collapse of the ICA, instituting a flexible and dynamic way of allocating quotas, adjusting quotas according to demand and supply and ensuring that all producers are working on a credible stock-holding policy.

Cocoa

The International Cocoa Council at its special session during 14-15 November 1991 in London, adopted, with minor revisions, the proposals of the Preparatory Working Group on a fifth International Cocoa Agreement as regards payments of arrears to the buffer stock under the current Agreement. The council's following session (12-13 December 1991) identified a number of issues requiring detailed attention. These included *inter alia* minimising the risk of parallel markets developing even with a high level of participation in the Agreement; the linkage between quotas, including quota reductions and the buffer stock; special deposits of cocoa and rotation of stocks; development of a cocoa production policy; financing arrangements for the operation of the Agreement; and modalities relating to the promotion of cocoa consumption.

Jute

The twenty-seventh session of the FAO Inter-Governmental Group on Jute and Allied Fibres (Rome, 22-24, October 1991) met amidst a background of unprecedented decline in world exports, fall in prices due to competition from synthetic and disruption caused by events in Eastern Europe and the Gulf. The Group stressed the need to develop a coherent strategy to sharpen public awareness of the environmental superiority of natural fibres and to highlight the real costs to society both of producing and disposing of synthetic. The meeting also recommended that producing countries should pursue measures to improve market access, especially in the ongoing Uruguay Round of multilateral trade negotiations.

During 29-31 October 1991, the International Jute Council, which met in New Delhi, noted that conditions for the definitive entry into force of the 1989 International Agreement on Jute and Jute Products had not yet been made. The meeting extended the conditions of accession to mid-1992 to provide an opportunity to observer countries to join the Agreement. The meeting further deliberated on major areas affecting adversely the competitiveness and viability of jute mills.

Tea

At its ninth session (7-9 October, 1991 Rome), the FAO Inter-Governmental Group on Tea reviewed the tea economy and noted that world production in 1991 was likely to be a little higher than that in 1990. However, the world trade in tea had declined with a continuing reduction in imports by traditional developed country markets. The Group was concerned about the continuing downward trend in prices and stressed the need for collective remedial action. The Group agreed that major emphasis should be placed on measures to expand consumption especially *via* a generic promotion campaign, including emphasis on the positive health aspects.

Iron Ore

At their annual session (Geneva, 21-23 October 1991) the UNCTAD Inter-governmental Group of Experts on iron ore noted that after three consecutive years of growth, world demand had declined in 1990 to 974 million tonnes, 1.3 per cent lower than the 1989 record. In developing countries, iron ore consumption had stagnated at 143 million tonnes.World trade in iron ore in 1990 was also 6 per cent below the 1989 records.

CHAPTER XI

Balance of Payments and International Monetary Developments

I. Balance of Payments

The severe pressures of a crisis proportion suffered by the Indian economy in its external payments situation during the fiscal year 1990-91 were highlighted in the previous year's Report. The Gulf crisis of August 1990, the global slowdown in world trade, and the break-up of the erstwhile Soviet Union were some of the external factors still impinging on India's balance of payments. The pressure on the external situation persisted through the second quarter (July-September of 1991-92) after which, however, there occurred a marked turnaround in the country's international reserves. The foreign exchange assets, which dipped to a low of US $ 975 million (Rs.2,492 crore) as on July 12, 1991, made a remarkable recovery and attained the level of US $ 5,631 million (Rs.14,578 crore) by the end of March 1992. The series of crisis management measures, as also the brisk action on stabilisation and structural adjustment programmes undertaken during the year, have combined to achieve a remarkable transformation in the country's international liquidity position. In particular, the drastic compression of imports and the determined efforts made to encourage repatriation of capital have helped the process. A measure of balance of payments support was also received from bilateral and multilateral donors.

Due to technical reasons it has not been possible to finalise balance of payments data on actuals basis for years beyond 1989-90. However, during the last few years, the Reserve Bank of India has been bringing out estimates of balance of payments statistics based on information available with the Bank and other sources of information. Accordingly, Provisional Estimates (which are very close to the actuals) for 1990-91 and Quick Estimates for 1991-92 have been prepared (Tables XI-1 and XI-1A). These reveal a sharp contraction in merchandise trade deficit to US $ 3,078 million (Rs.6,915 crore) as compared with US $ 7,750 million (Rs.13,906 crore) during 1990-91, largely as an outcome of the massive contraction of imports. As regards invisibles, tourist arrivals, including nationals of Pakistan and Bangladesh, during 1991-92 were higher by 10.3 per cent as compared with an absolute fall of 8.6 per cent during the preceding year. Hence tourist receipts are estimated to show a moderate rise. Due to accruals of US $ 863 million under Foreign Exchange (Immunities) Scheme, 1991, a new scheme introduced in October 1991, private transfer receipts during 1991-92 are likely to show an increase though other remittances from non-resident Indians working abroad, which are a major component of private transfers, are estimated to be at the same level as in the preceding year. Interest payments, dividend remittances, as well as outward remittances on account of royalty, technical knowhow, etc., would continue to show an increase. On balance, net receipts from invisibles including accrued interest as also official transfers are expected to be somewhat higher than in 1990-91. Nevertheless, essentially as a result of the drastic cut-back in trade deficit, the current account deficit (CAD) (including accrued interest on NRI deposits) stood substantially lower at US $ 2,835 million (Rs.6,251 crore) as compared with US $ 7,728 million (Rs.13,865 crore) in the preceding year. As a proportion to GDP, CAD is estimated at 1.1 per cent as compared with 2.6 per cent in 1990-91.

The capital account was characterised by mobilisation of funds from non-resident Indians and larger assistance from bilateral and multilateral donors. Under Foreign Currency Non-Resident Accounts (FCNRA) Scheme, there was a net outflow of US $

1611 million (Rs.3,641 crore) during 1991-92 as against a net inflow of US $ 168 million (Rs.255 crore) during 1990-91. The bulk of this outflow amounting to nearly US $ 1 billion occurred during April-June 1991. As measures of stabilisation were put in place rapidly, the outflows tapered down to US $ 152 million in the last quarter of the year. Under Non-Resident (External) Rupee Accounts (NR(E)RA), the data indicated an estimated outflow of US $ 27 million (Rs.44 crore) during 1991-92 as compared with an inflow of US $ 84 million (Rs.156 crore) during the preceding year. The Scheme of India Development Bonds (IDBs) introduced by the State Bank of India in October 1991 mopped up subscriptions aggregating US $ 1,627 million. Indirectly, the large outflow under the FCNRA was almost recouped through the IDBs with the added advantage of lengthening of maturities. Utilisation of external assistance, excluding exceptional financing of US $ 1 billion by the World Bank, the ADB and Japan was at the same level as in 1990-91. Commercial borrowings other than IDBs were significantly lower during the year due to the downgrading of India's rating by the rating agencies. Net purchases from the IMF during the year were lower at US $ 781 million (Rs.2,079 crore) as compared with US $ 1,214 million (Rs.2,178 crore), during 1990-91. This amount however, excludes repayment to the IMF under Trust Fund loan. Drawings from the IMF took the form of second drawal equivalent to US $221 million (Rs.570 crore) in July 1991 and a third drawal equivalent to US $ 637 million (Rs.1,647 crore) in September 1991 under the Compensatory and Contingency Financing Facility (CCFF) and US $ 117 million (Rs.305 crore) in November 1991 and US $ 264 million (Rs.685 crore) in January 1992 under the Stand-by Arrangement.

Developments in Foreign Exchange Reserves

India's foreign exchange reserves (comprising foreign currency assets of the Reserve Bank of India, gold held by the RBI and SDR balances held by the Government of India) rose from US $ 5,834 million (Rs.11,416 crore) at the end of March 1991 to US $ 9,220 million (Rs.23,850 crore) at the end of March 1992 showing an increase of US $ 3,386 million (Rs.12,434 crore). Exclusive of gold revaluation and also of transactions with the IMF (other than the Trust Fund loans), the foreign exchange reserves increased by US $ 2,793 million (Rs.8,637 crore) during 1991-92 against a fall of US $ 2,351 million (Rs.3,560 crore) during 1990-91. The foreign currency assets of the Reserve Bank of India increased by US $ 3,395 million (Rs.10,190 crore) during 1991-92 (April-March) as against a decline of US $ 1,132 million (Rs.1,399 crore) in 1990-91. As compared with July 12, 1991 when the level of foreign currency assets had fallen to a low level of US $ 975 million (Rs.2,492 crore), the end-March 1992 level showed an increase of US $ 4,656 million (Rs.12,086 crore). During April-June 1992, foreign currency assets rose further by US $ 590 million (Rs.1,547 crore).

The SDR holdings declined by SDR 10.2 million to SDR 65.7 million during 1991-92 as against a fall of SDR 6.0 million in 1990-91. During 1991-92, while IMF drawals amounted to SDR 397.2 million, repurchases from the IMF stood at SDR 337.5 million. During the same year, SDR 225 million were acquired while sale of SDR amounted to SDR 76.2 million. Payment of charges on the use of Fund resources and interest on SDR allocation aggregated SDR 225.0 million. Receipts from the Fund on account of interest on SDR holdings and interest subsidy amounted to SDR 6.1 million and SDR 0.2 million, respectively. During 1990-91, IMF drawals amounted to SDR 557.4 million while repurchases from the IMF including Trust Fund repurchases amounted to SDR 524.9 million. Acquisition of SDRs during 1990-91 amounted to SDR 634.4 million while sale of SDRs during the year stood at SDR 540.0 million. Payment of charges on the use of Fund resources and interest on SDR allocation aggregated SDR 158.6 million. Receipts by way of renumeration, interest on SDR holdings and interest subsidy were SDR 10.1 million, SDR 15.0 million and SDR 0.7 million, respectively.

Gold holdings of the Reserve Bank of India at Rs.9,039 crore at the end of March 1992, higher by Rs.2,211 crore than those of Rs.6,828 crore at end-March 1991, reflected an addition to gold stocks of 18.36 tonnes (raising the total gold reserves to 350.92

Table XI-1 : India's Overall Balance of Payments

(Rs. crore)

Item	1991-92 (Q.E.)	1990-91 (PE)	1989-90	1988-89
1	2	3	4	5
A. Current Account				
1. Exports, f.o.b	44,607.4	33,177.5	28,229.0	20,646.7
2. Imports, c.i.f.	51,522.4	47,083.4	40,642.4	34,202.3
3. Trade Balance	-6,915.0	-13,905.9	-12,413.4	-13,555.6
4. Non-Monetary Gold Movement	493.8	-	6.4	-
5. Official Transfers, net	1,116.8	819.1	896.8	724.2
6. Other Invisibles, net	-946.6	-778.6	128.0	1,251.3
7. Current Account Balance	-6,251.0	-13,865.4	-11,382.2	-11,580.1
B. Capital Account				
1. External Assistance, net	6,792.1	4,070.1	3,089.9	3,209.7
Disbursements	10,428.8	6,189.6	4,998.4	4,859.6
Amoritisation	-3,636.7	-2,119.5	-1,908.5	-1,649.9
2. Commercial Borrowings*	4,672.9@	1,308.6	2,958.4	2,742.9
Disbursements	7,620.6@	3,679.9	4,823.3	4,265.0
Amoritisation	-2,947.7	-2,371.3	-1,864.9	-1,522.1
3. NRI Deposits, net	-1,562.1	2,259.0	4,000.2	3,635.5
4. Other Capital (net)	4,110.1	3,004.2	2,280.9	1,886.6
5. Total Capital Account	14,013.0	10,642.8	12,329.4	11,474.7
C. IMF, (Net)	**2,079.4**	**2,177.9**	**-1,459.6**	**-1,547.3**
D. SDR Allocation	-	-	-	-
E. Total Capital Account, I.M.F. and SDR Allocation	**16,092.4**	**12,820.7**	**10,869.8**	**9,927.4**
F. Total Current Account, Capital Account, I.M.F. and SDR Allocation	**9,841.4**	**-1,044.7**	**-512.4**	**-1,652.7**
G. Errors and Omissions	-	**-1,248.4**	**-720.0**	**203.4**
H. Reserves and Monetary Gold (Increase -, Decrease +)	**-9,841.4**	**2,293.1**	**1,232.4**	**1,449.3**

* Excluding refinancing credits

Q. E. Quick estimaties

@ Include India Development Bonds.

P E Provisional Estimate

Note: Interest payments forming part of gross withdrawals under FCNRA deposits have now been segregated under invisible payments. Similarly interest accrued during the year and credited to NRI deposits has been treated as notional outflow under invisible payments and added as reinvestment in NRI deposits in Capital Account. For this reason other invisibles (net), current account and inflow under NRI deposits may not tally with those published elsewhere.

Table XI-1A : India's Overall Balance of Payments

(In US $ million)

Item	1991-92 (Q.E.)	1990-91 (P.E.)	1989-90	1988-89
1	2	3	4	5
A. Current Account				
1. Exports, f.o.b.	18,135.0	18,490.7	16,955.2	14,257.1
2. Imports, c.i.f.	21,213.0	26,240.8	24,411.0	23,617.6
3. Trade Balance	-3,078.0	-7,750.1	-7,455.8	-9,360.5
4. Non-Monetary Gold Movement	191.0	-	3.8	-
5. Official Transfers, net	451.0	456.5	538.6	500.1
6. Other Invisibles, net	-399.0	-434.0	76.9	864.0
7. Current Account Balance	-2,835.0	-7,727.6	-6,836.5	-7,996.4
B. Capital Account				
1. External Assistance, net	2,803.0	2,268.4	1,855.9	2,216.4
Disbursements	4,253.0	3,449.6	3,002.2	3,355.7
Amortisation	-1,450.0	-1,181.2	-1,146.3	-1,139.3
2. Commercial Borrowings*	1,805.0@	729.3	1,776.9	1,894.1
Disbursements	2,995.0@	2,050.9	2,897.0	2,945.1
Amortisation	-1,190.0	-1,321.6	-1,120.1	-1,051.0
3. NRI Deposits, net	-747.0	1,259.5	2,402.6	2,510.4
4. Other Capital (net)	1,767.0	1,674.6	1,370.0	1,302.7
5. Total Capital Account	5,628.0	5,931.8	7,405.4	7,923.6
C. IMF, (Net)	**781.0**	**1,213.8**	**-876.7**	**-1,068.5**
D. SDR Allocation	**-**	**-**	**-**	**-**
E. Total Capital Account, I.M.F. and SDR Allocation	**6,409.0**	**7,145.6**	**6,528.7**	**6,855.1**
F. Total Current Account, Capital Account, I.M.F. and SDR Allocation	**3,574.0**	**-582.0**	**-307.8**	**-1,141.3**
G. Errors and Omissions	**-**	**-696.0**	**-432.4**	**140.5**
H. Reserves and Monetary Gold (Increase -, Decrease	**-3,574.0**	**1,278.0**	**740.2**	**1,000.8**

* Excluding refinancing credits

tonnes) consequent upon the sale of gold by the Government of India to the RBI in December 1991 equivalent in value of Rs.493.81 crore or US $ 191 million.

During the first quarter of 1992-93 (April-June 1992), the foreign currency assets of the Reserve Bank rose by Rs.1,547 crore US $ 590 million (Rs.1,547 crore) as against a decline of US $ 1,112 million (Rs.2,006 crore) in the corresponding quarter of 1991-92. SDR holdings increased by SDR 14.4 million to SDR 80.1 million. Repurchases under the EFF amounted to SDR 54.2 million and charges on use of Fund resources amounted to SDR 52.9 million. Acquisition of SDRs during the quarter amounted to SDR 120 million. Receipts by way of remuneration and interest on SDR holdings amounted to SDR 0.4 million and SDR 1.1 million, respectively. During the corresponding period of the preceding year, the SDR holdings had declined by SDR 28.2 million. Gold holdings of the Reserve Bank declined by Rs.107 crore during April-June 1992 to Rs.8,932 crore. In dollar terms the value of gold at end-June, 1992 stood at US $ 3,459 million. On the whole, foreign exchange reserves rose by Rs.1,504 crore (US $ 575 million) as compared with a fall of Rs.1,490 crore (US $ 1,123 million) during the corresponding period of 1991.

II. Foreign Investment : Policy and Developments

A. NRI Investment.

Investment by non-residents of Indian nationality/origin (NRIs) may take many forms like (i) investment in the various deposits schemes like the Non-Resident (External) Rupee Accounts (NR(E)RA) Scheme or Foreign Currency Non-Resident Accounts (FCNRA) Scheme (ii) investment in shares of Indian companies under various schemes like the 40 per cent scheme or 100 per cent scheme, or (iii) the portfolio investment scheme.

Inflow of funds from NRIs under NR(E)R/FCNR Schemes, which hitherto persistently financed the external payments requirements by beefing up the reserves position of the country, exhibited a steep

Table XI-2 : Current Account Transactions as Proportion of GDP at Current Market Prices

(In per cent)

	Item	1991-92 (Quick Estimates)	1990-91 (Provisional Estimates)	1985-90 Annual average	1989-90	1988-89	1987-88	1986-87	1985-86	1980-85 Annual average
	1	2	3	4	5	6	7	8	9	10
1.	Exports	7.3	6.3	5.1	6.3	5.2	4.9	4.5	4.4	5.0
2.	Imports	8.4	8.9	8.3	9.0	8.7	7.7	7.7	8.1	8.4
3.	Trade deficit	1.2	2.6	3.2	2.8	3.4	2.8	3.2	3.7	3.4
4.	Invisible Receipts @	3.3	2.7	2.9	2.8	2.9	2.8	2.8	3.0	3.6
5.	Invisible Payments	3.0 (3.2)	2.4 (2.7)	1.9 ..	2.2 (2.7)	2.0 (2.4)	1.9	1.6	1.6	1.5
6.	Invisible (net)(4-5)@	0.3 (0.1)	0.3 (0.0)	0.9 ..	0.6 (0.1)	0.8 (0.5)	0.9	1.2	1.4	2.1
7.	Current Account Deficit (3-6) @	0.8 (1.1)	2.3 (2.6)	2.2 ..	2.2 (2.7)	2.6 (2.9)	1.9	2.0	2.3	1.3

.. Not available

@ Include official grants which are treated as part of current account receipts here.

Note : Figures in brackets indicate percentages including accrued interest on NRI deposits. Data for the period prior to 1988-89 are not available.

Table XI-3A : Interest Rates of FCNRA Deposits

(per cent per annum)

Effective Dates	US $				Pound Sterling				DM				Yen			
	6 months and above to less than 1 year	1 year and above to less than 2 years	2 years and above to less than 3 years	3 years only	6 months and above to less than 1 year	1 year and above to less than 2 years	2 years and above to less than 3 years	3 years only	6 months and above to less than 1 year	1 year and above to less than 2 years	2 years and above to less than 3 years	3 years only	6 months and above to less than 1 year	1 year and above to less than 2 years	2 years and above to less than 3 years	3 years only
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
May 30, 1990	9.00	9.50	10.00	10.25	11.50	11.75	12.00	12.00	9.00	9.50	9.75	9.75	7.75	8.00	8.00	8.00
July 19, 1990	9.00	9.50	10.00	10.25	11.50	11.75	12.00	12.00	9.00	9.50	9.75	9.75	8.25	8.25	8.25	8.25
August 13, 1990	9.00	9.25	9.75	10.00	11.50	11.75	12.00	12.00	9.50	9.50	9.75	9.75	8.50	8.50	8.50	8.50
September 3, 1990	9.00	9.25	9.75	10.00	11.50	11.75	12.00	12.00	9.50	9.50	9.75	9.75	9.00	9.25	9.25	9.25
September 25, 1990	9.00	9.25	9.75	10.00	11.50	11.75	12.00	12.00	9.25	9.75	10.00	10.00	9.25	9.50	9.75	9.75
December 4, 1990	8.75	9.00	9.50	9.75	11.50	11.75	12.00	12.00	9.50	9.75	10.00	10.00	9.00	9.00	9.00	9.00
January 14, 1991	8.25	8.50	9.00	9.25	11.50	11.75	12.00	12.00	10.00	10.25	10.50	10.50	8.50	8.50	8.50	8.50
February 8, 1991	7.50	8.00	8.50	9.00	13.25	13.25	13.25	13.25	10.00	10.25	10.50	10.50	8.50	8.50	8.50	8.50
December 12, 1991	6.50	6.75	7.25	8.00	12.00	12.00	12.00	12.00	10.00	10.25	10.50	10.50	7.50	7.50	7.50	7.50
January 27, 1992	5.50	5.75	6.75	7.50	12.00	12.00	12.00	12.00	10.25	10.25	10.50	10.50	7.00	7.00	7.00	7.00
March 27, 1992	5.75	6.25	7.50	8.25	12.00	12.00	12.00	12.00	10.50	10.50	10.50	10.50	6.00	6.00	6.50	7.00

deceleration since October 1990. The negative flow, though still continues, its pace has considerably slowed down reflecting the impact of the series of reform measures initiated by the Government to refurbish the downgraded image and to correct various adverse macro imbalances of our economy.

Under NR(E)RA Scheme, data for 1991-92 indicate a withdrawal of US $ 27 million (Rs.44 crore) (excluding interest element) as compared with an inflow of US $ 87 million (Rs.156 crore) in 1990-91. However, the decline does not necessarily imply outflow of foreign exchange as the NR(E) R Accounts are maintained largely for meeting the local expenditure of NRIs in India. There was, however, a sizeable outflow of US $ 1,627 million (Rs.3,641 crore) under FCNRA Scheme in 1991-92 as against an inflow of US $ 168 million (Rs.255 crore) in 1990-91. The outflow during April-June 1991, the first quarter of 1991-92 reached a peak of US $ 931 million (Rs.1,880 crore) but it tapered down during the subsequent quarters and amounted to US $ 152 million (Rs.394 crore) in the last quarter of 1991-92. During the first quarter of 1992-93, the net outflow stood at US $ 309 million (Rs.802 crore).

While, to some extent, this negative flow of funds could be attributed to availability of alternate avenues for investment to NRIs like the India Development Bonds, the fall of the spread between the FCNR and LIBOR rates, particularly since December 1991, might have also contributed to the continued outflows or a fall in inflows.

The outstanding liability under NRI deposits (both NR(E)RA and FCNRA Schemes) stood at US $ 7,847 million (Rs.21,679 crore) as at end of March 1992 as against US $ 10,584 million (Rs.20,754 crore) as at the end of March 1991, showing a decline in dollar terms of US $ 2,737 million during the year. The liberal policy of encouraging direct and portfolio investment by non-residents of Indian nationality/origin and by overseas corporate bodies owned to the extent of 60 per cent or more by such

Table XI-3B : Interest Rates on Non-Resident (External) Rupee Accounts Scheme [NR(E)RA]

(Per cent per annum)

Maturity Period	Effective April 16, 1990	Effective April 13, 1991
1	2	3
I Savings Accounts	5.0	5.0
II Term Deposits		
a) For 46 days and above but less than 1 year	8.5	8.5
b) For 1 year and above but less than 2 years	10.5	10.5
c) For 2 years and above but less than 3 years	11.0	11.0
d) For 3 years and above but less than 5 years	12.0	13.0
e) For 5 years and above	13.0	14.0

Note : The maturity range of 15 days to 45 days is abolished from April 16, 1990.

Table XI-4 : Inflows Under NR(E)RA and FNCRA Schemes

(Rs. crore)

Fiscal Year	Non-Resident (External) Rupee Accounts@	Foreign Currency Non-Resident Account	Total
1	2	3	4
1987-88	477	1363	1840
1988-89	235	2230	2465
1989-90	277	2165	2719
1990-91	156	255	411
1991-92	-44	-3641	-3685

@ Excluding the estimated accrued interest.

Table XI-5 : Outstanding Liabilities Under NR(E)R and FCNR Accounts

(as at end-March)

(Rs. crore)

Year	NR(E)R Accounts	FCNR Accounts					Grand Total (2 + 7)
		US $	Pound Sterling	DM @	Yen @	Total (3 to 6)	
1	2	3	4	5	6	7	8
1988	5,107	4,406	541			4,947	10,054
	(3,942)	(3,410)	(418)			(3,828)	(7,770)
1989	5,899	6,648	535	700	372	8,255	14,154
	(3,774)	(4,245)	(343)	(448)	(239)	(5,275)	(9,049)
1990	6,507	9,304	337	1,028	655	11,324	17,831
	(3,777)	(5,409)	(195)	(598)	(384)	(6,586)	(10,363)
1991	7,349	11,270	305	1,005	825	13,405	20,754
	(3,746)	(5,754)	(154)	(509)	(421)	(6,838)	(10,584)
1992	8071	10,300	2002	447	859	13,608	21,679
	(2,591)	(3,978)	(774)	(173)	(331)	(5,256)	(7,847)

* Figures include accured interest.

@ With effect from 1st August 1988.

Note : 1. Figures in brackets indicate US dollar million.

non-resident Indians was continued during 1991-92. During 1991 (Calendar Year), the amount approved for direct investment by non-resident Indians with full repatriation rights were marginally higher at Rs.207 crore as compared with Rs.202 crore in 1990. As in the past, approvals granted under 40 per cent scheme during 1991 at Rs.205 crore accounted for bulk (99 per cent) of the total investment approved. During 1991 approvals under the 74 per cent scheme at Rs.3 crore showed a significant decline as compared to Rs.8 crore of the previous year. The proposals approved under direct investment on a non-repatriation basis declined to Rs.7 crore from Rs.17 crore in 1990 recording a decline of 59 per cent. Data on actual foreign investment in respect of these approvals are not available. The amount invested by banks through stock exchanges on behalf of their non-resident constituents in respect of approvals granted for portfolio investment at Rs.5 crore declined by 21 percent over the year (Table XI- 6).

B. Foreign Collaboration

In regard to foreign collaboration approvals in Indian Industry, the number of approvals granted for foreign collaboration and the amount of foreign investment approved increased significantly in 1991. The total number of proposals approved was 957 in 1991 as against 666 in 1990. Of the approvals granted during 1991, 668 or 70 per cent (472 or 71 per cent in 1990) were for pure technical collaboration, drawings and designs while 289 (194 or 29 per cent in 1990), were for technical-cum-financial collaboration. The continued emphasis on technical collaboration is expected to help improved productivity and efficiency of Indian industries. In the long run, it is expected to impart a competitive edge to Indian export industries as also to reduce dependence on foreign imports. Country-wise the USA continued to lead both in terms of total number of proposals approved as well as in terms of proposals approved for financial participation.

The amount of foreign investment approved increased to Rs.517 crore in 1991 from Rs.128 crore in 1990. In terms of amount of foreign investment approved too, the USA occupied a pre-eminent position (Table XI-7).

As on 31st March 1990, final orders under Section 29(2) of FERA 1973 requiring Indianisation/dilution of non-resident equity holdings to a specified level, were issued to 389 companies. Of these 372 companies complied with the FERA directives and the remaining 17 companies were at various stages of compliance such as issue/transfer of shares, wind-

Table XI-6 : Value of Approvals for investment by Non-Residents of Indian Nationality/Origin

(Rs. crore)

Calendar year	Direct Investment					Portfolio Investment			Grand Total
	On Repatriation Basis			On Non-Repatriation Basis	Total	On Repatriation Basis	On Non-Repatriation Basis	Total	
	40% Scheme	74% Scheme	Total (2+3)		(4+5)			(7+8)	(6+9)
1	2	3	4	5	6	7	8	9	10
1987	210.96	9.26	220.22	56.91	277.13	6.00	0.51	6.51	283.64
1988	174.65	18.09	192.74	42.83	235.57	7.52	0.39	7.91	243.48
1989	328.25	8.80	337.05	65.20	402.25	2.21	0.88	3.09	405.34
1990	194.10	8.36	202.46	17.24	219.70	2.41	3.77	6.18	225.88
1991	204.56	2.52	207.08	7.04	214.12	4.07	0.80	4.87	228.99

ing up etc. with an extension of time granted to them at their request. As at end-March 1992, out of 898 applications received only 2 cases remained to be finally disposed of.

There were 245 joint ventures as at end-December 1991 out of which 161 joint ventures were in operation and 84 were at different stages of implementation. Equity participation by the Indian companies in joint ventures which were in operation abroad was about Rs.120.92 crore (including bonus shares) as at end-December 1991 as against Rs.108.24 crore at end-December 1990. The approved Indian participation in the equity of the joint ventures under implementation stood at Rs.454.67 crore at end-December 1991. Out of the 161 joint ventures in operation, 91 (57 per cent) were in the manufacturing sector and 70 (43 per cent) were in the non-manufacturing sector.

Region-wise, the East Asia Region accounted for 36 per cent (58) of operating joint ventures followed by Africa and Europe-America regions 18.0 per cent (29) each, South Asia 14.2 per cent (23), West Asia

Table XI-7 : Foreign Collaborations Approved.

Country	Total number of proposals approved						Amount of foreign investment approved (Rs. crore)					
	1988	1989	1990	1991			1988	1989	1990	1991		
				SIA Cases*	RBI cases	Total				SIA Cases*	RBI Cases	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
1. U.S.A.	191	127	133	147	31	178	97.14	62.16	34.48	128.70	46.19	174.89
	(71)	(34)	(42)	(48)	(5)	(53)						
2. U.K.	134	66	102	101	34	135	13.91	33.46	9.07	23.51	7.78	31.29
	(36)	(21)	(21)	(31)	(7)	(38)						
3. Germany	178	112	128	125	32	157	31.00	120.33	19.51	35.92	1.68	37.60
	(47)	(38)	(40)	(30)	(5)	(35)						
4. France	42	23	38	37	3	40	11.78	8.45	8.88	9.13	10.20	19.33
	(13)	(3)	(12)	(10)	(1)	(11)						
5. Japan	96	62	46	62	10	72	17.43	8.78	5.00	18.89	33.15	52.04
	(16)	(11)	(9)	(14)	(1)	(15)						
6. Italy	53	37	40	49	12	61	27.87	6.90	6.83	17.42	0.40	17.82
	(18)	(14)	(15)	(18)	(4)	(22)						
7. Switzerland	41	22	36	38	13	51	2.74	7.74	13.51	34.75	0.75	35.50
	(8)	(9)	(6)	(9)	(1)	(10)						
8. Singapore	11	11	-	13	5	18	4.63	3.49	-	1.25	0.12	1.37
	(5)	(4)	(-)	(7)	(1)	(8)						
9. Others	180	145	143	191	54	245	33.26	65.36	31.04	104.93	41.93	146.86
	(68)	(59)	(49)	(81)	(16)	(97)						
10. Total	926	605	666	763	194	957	239.76	316.67	128.32	374.50	142.20	516.70
	(282)	(193)	(194)	(248)	(41)	(289)						

* Includes approvals granted by Foreign Investment Promotion Boards.

Note : 1. Figures in brackets indicate number of collaboration approvals with financial participation.

2. Amounts approved correspond to proposals with technical-cum-financial participation.

11.2 per cent (18) and Oceania 2.4 per cent (4). Details regarding inflow of remittances from Indian joint ventures abroad are given below:

(Rupees crore)

Calendar Year	Dividend	Other Repatriation*
1987	18.7	32.5
1988	17.6	48.3
1989	30.7	60.1
1990	29.7	64.6
1991	41.5	72.3

* Includes fees for technical know-how, engineering services, management fees, royalty, etc.

Source : Ministry of Commerce, Government of India, New Delhi.

The remittances of dividends received from abroad rose by 11.8 crore during 1991 and stood at Rs.41.5 crore as at end-December 1991 compared with Rs.29.7 crore at the end of December 1990. During 1990, there was a decline of Rs.1 crore in the amount of dividend remittances from abroad. The amount received by way of fees for technical know-how, engineering services and consultancy fees, etc. increased fom Rs.64.6 crore to Rs.72.3 crore during the period.

The number of 'wholly owned subsidiaries' (owned wholly by one or more Indian bodies corporate) were 66 as at end-December 1991, of which 44 were in operation and the remaining 22 were under various stages of implementation. The UK(13) and the USA(11) accounted for 55 per cent of the subsidiaries under operation. The value of the total equity held in these subsidiaries amounted to Rs.74.84 crore at current exchange rate out of which Rs.60.20 crore was in subsidiaries which were in operation and remaining Rs.13.64 crore was in subsidiaries which were at various stages of implementation.

Exports of projects (broadly, construction contracts, turn-key contracts and engineering consultancy contracts) have recorded consistent growth over the years. Export performance with respect to turn-key, construction and engineering consultancy is given below:

(Rs. crore)

Year	Total	Turn-key and construction projects	Engineering consultancy
1987-88	369	259	110
1988-89	495	370	125
1989-90	560	340	220
1990-91	1115	803	312
1991-92 (April to December 1991)	586	442*	144*

* Provisional

Under the current regulations, consents for all bonus issues and debenture issues, irrespective of their values, are to be obtained from the Controller of Capital Issues. However, in regard to initial and further issues and loans. consents are required only if the value of subscription is more than Rs.1 crore. Hence, the data presented in this section and in Table would not indicate the total value of capital consented to be raised by Indian joint stock companies. The value of consents for capital issues granted to Indian joint stock companies by the Controller of Capital Issues increased by 54 per cent (against an increase of 5 per cent in the preceding year) to Rs.20,044 crore in 1991-92 from Rs.12,783 crore in 1990-91. The value of consents granted for issue of debentures, which constitutes more than 76 per cent of the total value of the consents for 1991-92, increased by 57 per cent over 1990-91. Consequently, while the share of initial and further issues (in value terms) declined to 18.3 per cent on 1991-92 from 20.4 per cent in 1990-91, that of debenture issues increased from 74.9 per cent in 1990-91, to 76.5 per cent in 1991-92.

The value of consents issued to their joint stock companies for raising capital from non-residents showed a significant increase of 232 per cent in 1991-92 as against a marginal decline of 2 per cent in 1990-91. As a result, the share of non-residents in total value of consents in 1991-92 increased to 6.6 per cent from 3.0 per cent in 1990-91 (Table XI-8). The number of consents involved in respect of non-

Table XI-8 : Consents For Capital Issues * - Aggregate and by Non-residents (N.R.) 1988-89 to 1991-92

(Rs.crores)

Year	Initial Issues			Futher Issues			Bonus Issues			Debenture Issues			Loans			Grand Total		
April - to March	Total	N.R.	2 as % of 1	Total**	N.R.	5 as % of 4	Total	N.R.	8 as % of 7	Total	N.R.	11 as % of 10	Total	N.R.	14 as % of 13	Total ** (1+4+7 +10+13)	N.R. (2+5+ 8+11+14)	17 as % of 16
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1988-89	862	58	6.7	625	22	3.5	195	50	25.6	6585	17	0.3	9	9	100.0	8276	157	1.9
1989-90	906	69	7.6	842	34	4.0	374	65	17.4	9953	74	0.7	141	137	97.2	12216	379	3.1
1990-91	1282	68	5.3	1331	67**	5.0	441	56	12.7	9577	58	0.6	152	139	91.4	12783	388	3.0
1991-92	2025	125	6.2	1568	73	4.7	372	80	21.5	15035	445	3.0	642	566	88.2	20044	1289	6.4

* By Indian Joint Stock Companies.
** Also includes premium allowed.

residents was 189 in 1991-92 as against 195 in 1990-91.

During 1991-92, the value of consents granted to non-residents in respect of 'debenture issues' showed more than six-fold increase in 1991-92 at Rs.445 crore as compared with Rs.58 crore in 1990-91. All other categories, viz., initial, further and bonus issues, showed a rise in the range of 9 to 84 per cent.

Net of bonus issues, the total amount for fresh investment consented to be granted increased to Rs.19,271 crore in 1991-92 from Rs.12,342 crore in 1990-91 (an increase of 56 per cent as against a marginal rise of 4 per cent last year). Consents for fresh investment (net of bonus issues) for all categories non-resident investors at Rs.1,209 crore in 1991-92 also showed an increase of 264 per cent as against 3 per cent recorded during 1990-91.

C. Policy and Developments

As apart of the structural adjustment policies introduced in the Indian economy by Government of India since July 1991, policies relating to foreign financial participation in Indian companies and those relating to foreign technology agreements have also undergone a radical change. The salient features of the foreign investment policy announced in July 1991 were already discussed in last year's Report. Briefly stated, three tiers for approving proposals for foreign direct investment in the country were introduced: i) the Reserve Bank's automatic approval system; ii) Secretariat for Industrial Approvals for considering proposals within the general policy framework but outside the powers delegated to Reserve Bank; and iii) Foreign Investment Promotion Board, specially created to invite, negotiate and facilitate substantial investment by international companies that would provide access to high technology and world markets. The foreign investment policy was further liberalised during the period under review. Fully owned foreign enterprises will henceforth be allowed to set up giant power projects without the requirement to balance dividend payments with export earnings.

The general permission granted by the Reserve Bank under the provisions of the Foreign Exchange Regulation Act, 1973 has brought the FERA companies (i.e. those having more than 40 per cent foreign equity) on par with the Indian companies and thus provides a level playing field to all. The existing FERA companies have also been extended the facility of 51 per cent equity. Also, the use of foreign brand names and trademarks on goods for sale within the country has been permitted. Significant amendments to the FERA for relaxing several of its restrictive provisions have been contemplated.

The following measures were introduced in the recent period to further liberalise the foreign investment policy:

i) Except for 22 industries in the consumer goods sector, the earlier stipulation that dividend remittances of companies receiving approval under the foreign equity upto 51 per cent scheme must be balanced by export earnings over a period of 7 years, was scrapped in respect of all foreign direct investment (by non-NRIs) in June 1992. The measure was extended to investment by NRIs/OCBs in September 1992.

ii) For the purpose of investment in oil refineries and development of discovered oil fields, foreign private equity participation to the extent of 26 per cent is considered as sufficient.

iii) a) Foreign institutional investors (FIIs) such as pension funds, mutual funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers or their power of attorney holders are now permitted to invest in all the securities traded on the primary and secondary markets. The investor will have to have a prior registration with the Securities and Exchange Board of India (SEBI) and also obtain RBI's prior permission under the FERA both of which will be valid initially for a period of five years, to be renewed for five years subsequently.

b) Portfolio investments in primary and secondary markets will be subject to a ceiling of 24 per cent of issued share capital for the total holdings of all registered FIIs, in any company. The holding of

a single FII in any company is subject to a ceiling of 5 per cent of total issued capital.

c) The maximum holding of 24 per cent for all non-resident portfolio investments also includes NRI corporate and non-corporate investment but excludes investment in specific schemes like (1) Direct foreign investment in high priority industries under the 51 per cent foreign equity scheme. (2) Investments by financial institutions through the alternative routes of offshore single/regional funds, global depository receipts and euroconvertibles.

d) FIIs investing under this scheme will benefit from a concessional flat rate tax of 20 per cent of dividend and interest income and a tax rate of 10 per cent on long-term (one year or more) capital gains.

e) There will be no lock-in period. Disinvestment will be allowed only through stock exchanges in India, including the Over the Counter Exchange of India (OTCEI). In exceptional cases, SEBI may permit sales other than through stock exchanges, provided the sale price is not significantly different from the stock market quotations where available.

iv) The RBI has agreed to allow foreign banks, already operating in the country to function as depository institutions for large foreign investors in the stock market.

v) With a view to providing further incentives for making investments in Indian Companies, Non-Resident Indians (NRIs)/Overseas Corporate Bodies (OCBs) have been granted automatic approval by the RBI to invest, with full repatriation benefits, upto 100 per cent in the issue of capital or convertible debentures of a private/public limited company engaged in or proposing to engage in high priority industries (Annex-III to the Industrial Policy Statement dated 24th July, 1991), subject to certain conditions.

The existing scheme of 100 per cent NRI investment in 100 per cent export oriented units and aslo for the revival of sick units will continue. 100 per cent NRI participation in power generation has also been permitted. In the context of such revisions, the earlier 74 per cent scheme has been discontinued.

The Government has set up a Bureau, officially known as the Interface for NRI scientists and Technocrats (INRIST), that will bring NRI scientists and technocrats in contact with Indian industries which would benefit from the expertise of NRIs.

The Department of Industrial Development has set up an "investment promotion and project monitoring cell", popularly known as facilitation cell, to provide pre and post investment services for different industrial approvals and respond to queries relating to various ministries/departments.

With a view to making the portfolio investment scheme for NRIs still more attractive, it has been decided to permit NRIs and other OCBs to acquire both on repatriation and non-repatriation basis, subject to certain prudential limits and a general body resolution to that effect, shares/debentures of Indian companies through stock exchange(s) in India, upto 24 per cent of total paid-up capital of a company concerned and 24 per cent of total paid-up value of each series of convertible debentures issued by a company, as against the earlier limit of 5 per cent each.

RBI has granted general permission to foreign citizens of Indian origin, whether resident in India or not, to acquire/hold and transfer by sale or inheritance, residential properties situated in India subject to certain stipulations.

General permission has been granted to Non-Resident Indian citizens and foreign citizens of Indian origin to let out their residential properties acquired for their bonafide residential purpose but which on acount of their residence abroad, are not required for their immediate residential purpose. The rental income or proceeds of any such income shall both be repatriable outside India at any time in future and such funds should be credited to the owner's Ordinary Non-Resident Rupee account maintained with an authorised bank in India.

In order to simplify and remove regulations which hinder free flow of foreign capital into India as also

investments by Indian companies in joint ventures overseas, restrictions imposed on FERA Companies (i.e., companies incorporated in India in which the non-resident interest is more than 40 per cent) under Section 26(7), 28, 29 and 31 of FERA, 1973 have all been removed as outlined below, thereby placing them on par with other Indian companies in regard to their operations in India. FERA companies are now permitted:

(a) to borrow money or accept deposits from persons resident in India;

(b) to accept appointment as agent or technical or management advisers in India, of any person or company;

(c) to allow their trademarks to be used by any person or company;

(d) to carry on in India any activity of trading, commercial or industrial nature except agricultural and plantation activity;

(e) to acquire any undertaking in India carrying on any trade, commerce or industry or purchase the shares of any such company, and

(f) to acquire, hold, transfer or dispose of by sale, mortgage, lease, gift, settlement or otherwise any immovable property in India.

Persons of Indian nationality or orgin and others (returning home after a minimum stay of immediate preceding 6 months abroad) have been granted general permission to bring into India as part of their baggage, gold, in any form, upto 5000 gms., provided duty is paid at the rate of Rs.220/- per 10 gms. (earlier Rs.450/- per 10 gms.) in any convertible foreign currency.

New guidelines for Indian joint ventures and wholly owned subsidiaries abroad

The guidelines for setting up of joint ventures and wholly owned subsidiaries abroad by Indian companies have been liberalised in October 1992. New applications where the total value of direct investment by the Indian party does not exceed US $ 2 million, and out of which subscription in cash by the Indian party does not exceed US $ 5 lakh are eligible for automatic approval, which will be granted within 30 days of the receipt of the application. The remaining $ 1.5 million of the direct investment may be contributed in the form of Indian plant, machinery, equipment and components, as proceeds of goods exported by the Indian party to the foreign concern, or as payments of fees, royalties, commissions etc. from the foreign concern for the supply of technical knowhow, consultancy, managerial or other services.

This facility will be available to the Indian party in respect of the same foreign concern only once in a block of three financial years including the financial year in which the investment is made.

The new liberalised guidelines permit supply of second-hand or reconditioned indigenous machinery by the Indian party towards its contribution to the direct investment in the foreign concern.

Applications which are not eligible for automatic approval will be considered by an Inter-Ministerial Committee in the Ministry of Commerce and a decision will be given within 90 days of the receipt of the application.

III. External Assistance

The decline in fresh authorisations of external assistance, comprising loans and grants to India which set in during 1989-90 and continued during 1990-91 showed a reverse trend in 1991-92. Fresh authorisations during 1991-92 at Rs.12,708 crore (provisional) were higher by Rs.4,585 crore (56.4 per cent) than those of Rs.8,123 crore in the preceding year. In US dollar terms, the authorisation during 1991-92 at $ 5,192 million were higher by $ 665 million than those of $ 4,527 million in the preceding year (Table XI-9). The pace of utilisation however, has been rising in recent years. The utilisation of external assistance at Rs. 11,615 crore (provisional) during 1991-92 were higher by Rs.4,911 crore (73.3 per cent) as compared with an increase of Rs. 901 crore (15.5 per cent) during 1990-91. Com-

Table XI-9 : External Assistance
(Fiscal years)

(Rs. crores)

Items	Loans	Grants	Total (2+3)
1	2	3	4
1. Authorisations during			
a) 1980-81	3237@ (4093)	76 (96)	3313 (4189)
b) 1981-82	2767 (3085)	207 (231)	2974 (3316)
c) 1982-83	2550 (2638)	423 (438)	2973 (3076)
d) 1983-84	1701 (1645)	387 (374)	2088 (2019)
e) 1984-85	4409 (3709)	471 (396)	4880 (4105)
f) 1985-86	5337 (4362)	313 (256)	5650 (4618)
g) 1986-87	5730 (4484)	430 (337)	6160 (4821)
h) 1987-88	8203 (6327)	1062 (819)	9265 (7146)
i) 1988-89	12856 (8877)	214 (148)	13070 (9025)
j) 1989-90	10106 (6070)	720 (432)	10826 (6502)
k) 1990-91 R	7601 (4236)	522 (291)	8123 (4527)
l) 1991-92 P	11806 (4824)	902 (368)	12708 (5192)
2. Utilisation during			
a) 1980-81	1228@ (1553)	397 (502)	1625 (2055)
b) 1981-82	1519 (1694)	346 (386)	1865 (2080)
c) 1982-83	1909 (1975)	343 (355)	2252 (2330)

Table XI-9 : External Assistance
(Fiscal years) *(Concld.)*

(Rs. crores)

Items	Loans	Grants	Total (2+3)
1	2	3	4
d) 1983-84	1963 (1898)	303 (293)	2266 (2191)
e) 1984-85	1962 (1650)	397 (334)	2359 (1984)
f) 1985-86	2493 (2038)	443 (362)	2936 (2400)
g) 1986-87	3176 (2485)	429 (336)	3605 (2821)
h) 1987-88	4574 (3528)	478 (369)	5052 (3897)
i) 1988-89	4739 (3272)	566 (391)	5305 (3663)
j) 1989-90	5138 (3086)	665 (399)	5803 (3485)
k) 1990-91 R	6170 (3439)	534 (297)	6704 (3736)
l) 1991-92 P	10696 (4370)	919 (376)	11615 (4746)
3. Amount undisbursed as at the end of March 1992 P -	**76096** **(29392)**	**4780** **(1846)**	**80876** **(31238)**

Note : 1. Amounts of authorisations and utilisation under 'loans' are inclusive of Government and Non- Government loans.

2. Loan amounts are net of surrenders, de-obligations and cancellations etc.

3. Amount undisbursed as at the end of March 1992 represent rupee values calculated at the rates prevalent at end-March 1992.

4. Figures in brackets represent amounts in millions of US dollars. These are converted at annual average rates for the respective years and amount undisbursed are converted at end-March 1992 rates.

@ Excludes IMF Trust Fund.

R : Revised.

P : Provisional.

ponent-wise, the utilisation of assistance under loans was higher by Rs.4,526 crore and under grants by Rs.385 crore. In US dollar terms, utilisation of assistance at $ 4,746 million during 1991-92 were higher by 27 per cent as compared with a rise of 7 per cent to $ 3,736 million in the preceding year. The utilisation of assistance during 1991-92 formed 91.40 per cent of the fresh authorisations in the year as compared with a similar proportion at 82.5 per cent during 1990-91 and 53.6 per cent during 1989-90.

Authorisations

The increase in authorisations of loan assistance during 1991-92 was brought mainly by a rise in fresh authorisations by the World Bank Group (comprising the IBRD and the IDA) Rs.3,077 crore, ADB (Rs.808 crore), France (Rs.117 crore) and Japan (Rs.997 crore). There were fresh authorisations from the IFAD, Austria, United Kingdom and Switzerland during 1991-92 as against nil authorisations in the preceding year. This rise, however, was partly offset by lower authorisations chiefly by former West Germany (Rs.940 crore). As a result the share of the IBRD in the total authorisations increased to 31.1 per cent in 1991-92 from 29.2 per cent in 1990-91 and that of the IDA to 28.2 per cent from 22.4 per cent during the same period (Table XI-10).

Authorisations of grants during 1991-92 at Rs.902 crore were higher by Rs.380 crore than those of Rs.522 crore in the preceding year. Fresh authorisations in respect of most of the countries were higher during 1991-92 as compared with the preceding year. Notable among those who made larger authorisations were the UK (Rs.198 crore) followed by Switzerland (Rs.125 crore), Sweden (Rs.105 crore) and Denmark (Rs.33 crore). This was, however, partly offset by a decline in fresh authorisation, among others, by Netherlands (Rs.106 crore).

Utilisation

The larger utilisation of loan assistance was mainly in respect of IDA (Rs.1,158 crore), IBRD (Rs.1,111 crore), Japan (Rs.1,012 crore), ADB (Rs.978 crore) and former West Germany (Rs.410 crore). The overall increase in the utilisation of credit, however, was partly offset by a decline in utilisation of loan assistance chiefly from Sweden and Netherlands.

The utilisation of grants during 1991-92 also was higher by Rs.385 crore. It was mainly accounted for by a rise in utilisation of grants from the U.K. (Rs.180 crore), Japan (Rs.63 crore), Switzerland (Rs.62 crore) and Netherlands (Rs.44 crore). Other countries in respect of which higher utilisation recorded were Canada, Sweden, Norway and USA.

Cumulative Assistance

The cumulative external assistance on account of loans, grants and other assistance authorised to India upto end-March 1992 aggregated Rs.106,729 crore. Of this, loans accounted for Rs.95,197 crore or 89.2 per cent, grants Rs.8,758 crore or 8.2 per cent and PL 480/665 assistance accounted for the balance of Rs.2,774 crore or 2.6 per cent. The cumulative assistance utilised upto end-March 1992 amounted to Rs.71,926 crore and formed 67.4 per cent of the total authorisations. Of the total assistance utilised, loans accounted for Rs.61,113 crore and formed 85.0 per cent. Grants Rs.7,994 crore (11.1 per cent) and P.L.480/665 assistance, Rs.2,819 crore (3.9 per cent) (Table XI-12).

As at end-March 1992, the share of the World Bank Group at (45.3 per cent) in total authorisations remained slightly higher than the level at end-March 1991 (44.0 per cent). The share of the World Bank Group in the utilisation of aggregate assistance at 45.9 per cent at end-March 1992 was almost the same as in the preceding year (45.1 per cent). Among individual countries, the major donors were the USSR, Japan, the USA, the erstwhile West Germany and the UK, which together accounted for 38.0 per cent of the total authorisations and 34.4 per cent of total utilisation as at end-March 1992. At end-March 1991, the share of this group of donors was 40.4 per cent of authorisation and 35.4 per cent of utilisation (Table XI-13).

Debt service payments at Rs.6,656 crore (provisional) during 1991-92 were higher by Rs.2,374 crore (55 per cent) than those of Rs.4,282 crore in the preceding year. As gross utilisation was higher, net

Table XI-10 : Loans authorised and utilised during 1990-91 and 1991-92 (Fiscal Years)

(Rs. crores)

Country/ Institution	Authorisations		Utilisation		Aid Undisbursed as at the end of	
	1990-91(R)	1991-92(P)	1990-91(R)	1991-92(P)	March 1991 (R)	March 1992(P)
1	2	3	4	5	6	7
1. IBRD	2219	3670	2185	3296	13463	21064
	(1237)	(1500)	(1218)	(1347)	(6853)	(8136)
2. IDA	1699	3325	1389	2547	8554	11084
	(947)	(1358)	(774)	(1041)	(4355)	(4281)
3. IFAD	-	49	8	14	86	136
	-	(20)	(5)	(6)	(44)	(53)
4. ADB	802	1610	381	1359	2961	5521
	(447)	(658)	(212)	(555)	(1507)	(2132)
5. Austria	-	25	19	7	6	33
	-	(10)	(11)	(3)	(3)	(13)
6. Belgium	-	-	-	3	14	20
				(1)	(7)	(8)
7. United Kingdom	-	43	-	36	3	-
		(17)		(15)	(2)	
8. Denmark	-	-	-	-	20	32
	-	-	-	-	(10)	(12)
9. France	1	118	164	252	693	955
	(-)	(48)	(92)	(103)	(352)	(369)
10. W. Germany	1069	129	422	832	1587	2197
	(596)	(53)	(235)	(340)	(808)	(849)
11. Italy	57	-	11	61	106	860
	(32)		(6)	(25)	(54)	(332)
12. Japan	1641	2638	861	1873	4442	7516
	(915)	(1079)	(480)	(765)	(2261)	(2903)
13. Netherlands	101	98	125	74	53	115
	(56)	(40)	(70)	(30)	(27)	(45)
14. Sweden	-	-	165	98	225	158
			(92)	(40)	(115)	(61)
15. Switzerland	-	101	19	2	65	156
		(41)	(10)	(1)	(33)	(60)
16. Spain	-	-	33	8	7	-
			(18)	(3)	(4)	
17. U.S.A.	-	-	34	52	273	332
			(19)	(21)	(139)	(128)
18. Czechoslovakia	-	-	18	-	19	-
			(10)		(10)	
19. Hungary	-	-	-	-	393	622
					(200)	(240)
20. OPEC*	12	-	41	45	1228	398
	(6)		(23)	(18)	(625)	(154)
21. U.S.S.R.	-	-	295	137	18452	24897
			(164)	(56)	(9394)	(9616)
Total	7601	11806	6170	10696	52650	76096
	(4236)	(4824)	(3439)	(4370)	(26803)	(29392)

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

R : Revised. P : Provisional .

Note : 1. Figures in brackets represent millions of U.S. Dollars.

2. Amount undisbursed are converted at end-March rates for respective years.

Table XI-11 : Grants @ Authorised and Utilised during 1990-91 and 1991-92 (Fiscal Years)

(Rs. crores)

Country/ Institution	Authorisations		Utilisation		Aid undisbursed as at the end of	
	1990-91R	1991-92 P	1990-91R	1991-92 P	March 1991 R	March 1992 P
1	2	3	4	5	6	7
1. Australia	-	-	-	-	53	83
					(27)	(32)
2. Canada	-	11	16	21	686	1030
		(5)	(9)	(9)	(349)	(398)
3. Denmark	7	40	57	52	333	526
	(4)	(16)	(32)	(21)	(169)	(203)
4. France	-	12	-	-	-	-
		(5)				
5. West Germany	11	3	-	1	20	53
	(6)	(1)		(-)	(10)	(21)
6. Japan	62	39	33	96	86	85
	(35)	(16)	(18)	(39)	(44)	(33)
7. Netherlands	126	20	68	112	118	44
	(70)	(8)	(38)	(46)	(60)	(17)
8. Sweden	20	125	34	59	234	405
	(11)	(51)	(19)	(24)	(119)	(156)
9. Norway	-	17	20	34	78	88
		(7)	(11)	(14)	(40)	(34)
10. Switzerland	5	130	2	64	63	21
	(3)	(53)	(1)	(26)	(32)	(8)
11. U.K.	253	451	182	362	644	1194
	(141)	(184)	(101)	(148)	(328)	(461)
12. U.S.A. other than P.L. 480/P.L. 665	38	54	22	46	412	666
	(21)	(22)	(12)	(19)	(210)	(257)
13. E.E.C.	-	-	51	41	388	585
			(29)	(17)	(198)	(226)
14. Other International Institutions	-	-	49	31	-	-
			(27)	(13)		
Total	**522**	**902**	**534**	**919**	**3115**	**4780**
	(291)	**(368)**	**(297)**	**(376)**	**(1586)**	**(1846)**

Note : Figures in brackets represent millions of U.S. Dollars.
R : Revised
P : Provisional
@ Including debt relief as under :

(Rs. crore)

Country	Authorisations		Utilisation	
	1990-91	1991-92	1990-91	1991-92
1	2	3	4	5
By way of Grants				
Japan	10.7	18.7	13.7	20.8
	(6.0)	(7.6)	(7.6)	(8.5)

Table XI-12 : Aggregate External Assistance (Fiscal Years)

(Rs. crores)

Period	Loans	Grants	PL480/665 Aid and third Country Currency Assistance	Toal (2+3+4)
1	2	3	4	5
1. Authoriations from August 15. 1947				
Upto March 1980	18,894	3,031	2,774	24,699
2. Authorisations during				
a) 1980-81	3,237@ (4093)	76 (96)	- -	3,313 (4189)
b) 1981-82	2,767 (3085)	207 (231)	- -	2,974 (3316)
c) 1982-83	2,550 (2638)	423 (438)	-	2,973 (3076)
d) 1983-84	1,701 (1645)	387 (374)	-	2,088 (2019)
e) 1984-85	4,409 (3709)	471 (396)	-	4,880 (4105)
f) 1985-86	5,337 (4362)	313 (256)	-	5,650 (4618)
g) 1986-87	5,730 (4484)	430 (337)	-	6,160 (4821)
h) 1987-88	8,203 (6327)	1,062 (819)	-	9,265 (7146)
i) 1988-89	12,856 (8877)	214 (148)	-	13,070 (9025)
j) 1989-90	10,106 (6070)	720 (432)	-	10,826 (6502)
k) 1990-91R	7,601 (4236)	522 (291)	-	8,123 (4527)
l) 1991-92P	11,806 (4824)	902 (368)	-	12,708 (5192)
3. Total upto March 1992	**95,197**	**8,758**	**2,774**	**1,06,729**
4. Utilisation from August 15, 1947 Upto March 1980	15,546	2,174	2,819	20,539

Table XI-12 : Aggregate External Assistance (Fiscal Years) *(Concld.)*

(Rs. crores)

Period	Loans	Grants	PL480/665 Aid and third Country Currency Assistance	Toal (2+3+4)
1	2	3	4	5
5. Utilisation during				
a) 1980-81	12,28@ (1553)	397 (502)	-	1,625 (2055)
b) 1981-82	1,519 (1694)	346 (386)	-	1,865 (2080)
c) 1982-83	1,909 (1975)	343 (355)	-	2,252 (2330)
d) 1983-84	1,963 (1898)	303 (293)	-	2,266 (2191)
e) 1984-85	1,962 (1650)	397 (334)	-	2,359 (1984)
f) 1985-86	2,493 (2038)	443 (362)	-	2,936 (2400)
g) 1986-87	3,176 (2485)	429 (336)	-	3,605 (2821)
h) 1987-88	4,574 (3528)	478 (369)	-	5,052 (3897)
i) 1988-89	4,739 (3272)	566 (391)	-	5,305 (3663)
j) 1989-90	5,138 (3086)	665 (399)	-	5,803 (3485)
k) 1990-91R	6,170 (3439)	534 (297)	-	6,704 (3736)
l) 1991-92P	10,696 (4370)	919 (376)	-	11,615 (4746)
6. Total upto March 1992	**61,113**	**7,994**	**2,819**	**71,926**

R : Revised. P : Provisional.

Note : 1. Refer to notes to table XI-9.

2. Figures in brackets represent millions of U.S. Dollars.

Table XI-13 : Aggregate External Assistance Source-wise (Upto end-March 1992) $$

(Rs. crores)

Country/ Institution	Authorisations				Utilisation			
	Loans	Grants	PL 480/ 665 Aid and Third Country Currency Assistance	Total (2+3+4)	Loans	Grants	PL 480 665 Aid and Third Country Currency Assistance	Total (6+7+8)
1	2	3	4	5	6	7	8	9
IBRD	27,431	-	-	27,431 (25.7)	16,048	-	-	16,048 (22.3)
IDA	20,903	-	-	20,903 (19.6)	16,943	-	-	16,943 (23.6)
EEC	41$	983	-	1,024 (1.0)	42$	1,118	-	1,160 (1.6)
IFAD	249	-	-	249 (0.2)	211	-	-	211 (0.3)
ADB	4,849	-	-	4,849 (4.5)	1,974	-	-	1,974 (2.8)
Canada	889	1,085	-	1,974 (1.9)	716	647	-	1,363 (1.9)
France	2,294	68	-	2,362 (2.2)	2,184	55	-	2,239 (3.1)
Netherlands	1,138	425	-	1,563 (1.5)	1,148	652	-	1,800 (2.5)
West Germany	5,349	70	-	5,419 (5.1)	4,708	54	-	4,762 (6.6)
Japan	9,476	374	-	9,850 (9.2)	6,084	404	-	6,488 (9.0)
Sweden	347	1,075	-	1,422 (1.3)	459	711	-	1,170 (1.6)
USA	3,251	590	2,774	6,615 (6.2)	3,391	353	2,819	6,563 (9.1)
USSR	14,021	9	-	14,030 (13.1)	2,673	8	-	2,681 (3.7)
UK	1,266	3,462	-	4,728 (4.4)	1,292	2,989	-	4,281 (6.0)
OPEC*	2,008	12	-	2,020 (1.9)	1,763	7	-	1,770 (2.5)
Others	1,685	605	-	2,290 (2.2)	1,477	996	-	2,473 (3.4)
Total	**95,197**	**8,758**	**2,774**	**1,06,729 (100.0)**	**61,113**	**7,994**	**2,819**	**71,926 (100.0)**

* Comprises Iran, Iraq, Kuwait, Abu-Dhabi, Saudi Arabia and OPEC Special Fund.
$ Relates to Special Action Credit.
$$ Provisional.
Note : Figures in brackets represent percentage to the total.

inflow of external assistance at Rs.4,959 crore was also higher by Rs.2,537 crore than Rs.2,422 crore in the preceding year (Table XI-14). Ratio of debt service payments to gross utilisation at 57.3 per cent at end-March 1992 was lower than the ratio of 63.9 per cent at end-March 1991. The ratio of net inflow of external assistance to gross drawals at 42.7 per cent was much higher than the ratio of 36.1 per cent in the preceding year. In US dollar terms, the net inflow of external assistance at $ 2,026 million was higher by $ 676 million than in the preceding year. The share of amortisation in total debt service payments was 54.8 per cent, nearly the same as that in the preceding year (54.4 per cent).

Purpose-wise authorisations, utilisation and undisbursed balances as at end-March 1991 and 1992 are given in Table XI-15. Out of the total loans authorised during 1991-92 the share of Energy Sector was the highest at 41.0 per cent followed by Structural Adjustment Sector (16.3 per cent), Industry Sector (9.0 per cent) and Infrastructure Sector (7.6 per cent). The share of Agriculture Sector at 1.4 per cent was very low. In respect of the loans authorised during 1990-91 the share of the Energy Sector was again the highest at 42.9 per cent followed by Industry Sector (16.7 per cent) and Infrastructure Sector (2.8 per cent). The share of Agriculture Sector was 12.1 per cent. There were no fresh authorisations in respect of Fertiliser Sector during both the years and in respect of Irrigation Sector and Structural Adjustment Sector during 1990-91.

In terms of utilisation of loan assistance during 1991-92, the Energy Sector accounted for the largest share (38.1 per cent) followed by Industry Sector (18.3 per cent) and Structural Adjustment Sector (10.4 per cent). During 1990-91, the share of Energy Sector in the total amount utilised stood at 33.3 per cent followed by Industry Sector (25.5 per cent).

Aid in the Pipeline

Total aid comprising loans and grants in the pipeline at current exchange rate till end-March 1992 amounted to Rs.80,876 crore which was higher by Rs.59,309 crore than the corresponding amount of Rs.55,765 crore at end-March 1991. Out of the total aid in the pipeline, loans constituted Rs.76,096 crore (94.1 per cent) and grants Rs.4,780 crore (5.9 per cent). In dollar terms, the aid in the pipeline stood at $ 31,238 million, higher by $ 2,849 million, than the level a year ago. The World Bank group accounted for the largest share of assistance in the pipeline at 42.2 per cent, followed by the ADB at 7.3 per cent. Country-wise, unutilised aid in respect of the USSR stood the highest at 32.7 per cent, followed by Japan (9.9 per cent) and West Germany at 2.9 per cent. Aid in pipeline in respect of other countries/institutions remained negligible.

Purpose-wise Distribution of Undisbursed loans

As on March 31, 1992 undisbursed balance stood at Rs.84,195 crore which was higher by Rs.25,210 crore than that of Rs.58,985 crore as at end March 1991. Table XI-16 presents data on purpose-wise classification of undisbursed loans. These data would show largest proportion of undisbursed balance as on March 1992 under Energy Sector (46.3 per cent), followed by Industry Sector (22.0 per cent) in particular from the USSR. On the whole, covering all purpose groups the World Bank Group dominated, accounting for 40.7 per cent of aid undisbursed as at end-March 1992.

Aid Pledges for 1992-93

At the Aid-India Consortium Meeting held in Paris in June 1992, members pledged US $ 7.2 billion of assistance to India for 1992-93 (July-June). The total assistance pledged was marginally higher by (US $ 0.5 billion) than in the previous year. Of the total commitment, US $ 4.9 billion came from multilateral sources and US $ 2.3 billion from bilateral countries. The total amount of aid included US $ 1.8 billion (US $ 0.7 billion from bilateral sources and US $ 1.1 billion from multilateral sources) in the nature of fast disbursing assistance, mainly on concessional terms and in the form of balance of payments support. The World Bank group with their total commitments at US $ 3000 million continue to be the largest donor. Japan continued to be the largest bilateral donor during the year, pledging US $ 926 million.

Table XI-14 : Inflow of Foreign Assistance - Gross and Net (Fiscal Years)

(Rs. crores)

Year	Gross Utilisation	Amortisation Payments	Interest Payments	Total Debt Services (3+4)	Net Inflow of Aid (2-5)
1	2	3	4	5	6
1980-81	1,625	518	286	804	821
	(2055)	(655)	(362)	(1017)	(1038)
1981-82	1,865	538	311	849	1,016
	(2080)	(600)	(347)	(947)	(1133)
1982-83	2,252	587	360	947	1,305
	(2330)	(607)	(372)	(979)	(1351)
1983-84	2,266	616	417	1,033	1,233
	(2191)	(596)	(403)	(999)	(1192)
1984-85	2,359	647	529	1,176	1,183
	(1984)	(544)	(445)	(989)	(995)
1985-86	2,936	776	591	1,367	1,569
	(2400)	(634)	(483)	(1117)	(1283)
1986-87	3,605	1,176	853	2,029	1,576
	(2821)	(920)	(668)	(1588)	(1233)
1987-88	5,052	1,581	1,043	2,624	2,428
	(3897)	(1219)	(804)	(2023)	(1874)
1988-89	5,305	1,646	1,300	2,946	2,359
	(3663)	(1136)	(898)	(2034)	(1629)
1989-90	5,803	1,987	1,699	3,686	2,117
	(3485)	(1193)	(1020)	(2213)	(1272)
1990-91R	6,704	2,329	1,953	4,282	2,422
	(3736)	(1298)	(1088)	(2386)	(1350)
1991-92P	11,615	3,650	3,006	6,656	4,959
	(4746)	(1492)	(1228)	(2720)	(2026)

R : Revised

P : Provisional

Note : 1. Gross aid utilisation includes debt relief provided in the form of refinancing credits and grants, Debt service payments in these cases are covered in columns (3) and (4) above.

2. Figures in brackets represent millions of US Dollars.

Table XI-15 : Statement showing Purpose -wise Distribution of Loans

(Rs. lakhs)

Purpose	Authorisations			Utilisation			Aid undisbursed as at the end of March 1992P
	1985-90	1990-91	1991-92P	1985-90	1990-91	1991-92P	
1	2	3	4	5	6	7	8
I. Agriculture Sector	1,78,708	98,401	14,935	1,24,576	48,501	65,865	3,49,010
II. Energy Sector - Coal	88,297	-	-	1,13,136	7,407	3,010	1,56,929
- Power	18,14,041	3,49,114	2,59,219	4,15,856	1,74,128	2,83,740	35,88,062
- Oil	1,31,608	-	1,83,847	1,70,246	30,361	1,18,979	1,49,727
Total	20,33,946	3,49,114	4,43,066	6,99,238	2,11,896	4,05,729	38,94,718
III. Fertiliser Sector	62,281	-	-	90,895	4,728	2,870	42,906
IV. Industry Sector	7,75,044	1,36,158	97,126	2,53,847	1,62,057	1,94,470	18,56,091
V. Infrastructure Sector	715	-	89	-	-	117	1,636
Railway	89,078	-	11,413	82,826	24,023	19,204	1,49,789
Road	1,05,293	-	70,141	11,741	8,922	25,770	2,51,706
Telecom	1,01,279	-	-	49,647	10,527	7,144	87,365
Port	23,235	23,146	-	36,397	6,162	10,564	64,007
Generals	26,472	-	-	15,187	3,503	2,092	20,094
Total	3,46,072	23,146	81,643	1,95,798	53,137	64,891	5,74,597
VI. Irrigation Sector	2,43,594	-	37,779	1,05,162	51,058	82,052	4,71,028
VII. Social Sector	1,74,118	1,74,500	62,322	1,00,736	15,779	23,801	4,34,540
VIII. Urban Development Sector	1,48,226	21,868	67,668	57,629	44,723	37,184	2,96,717
IX. Structural Adjustment Sector	-	-	1,76,173	-	-	1,10,892	90,248
X. Others	1,96,321	10,196	1,00,414	1,43,447	44,105	77,516	4,09,655
Total (I to X)	41,58,310	8,13,383	10,81,126	17,71,328	6,35,984	10,65,270	84,19,510

Note : 1. Authorisation are shown net of de-obligations/cancellations.

2. Authorisations and utilisation figures in this statement for the years 1990-91 and 1991-92 and un-disbursed balances as at end of March 1992, are not strictly comparable with those appearing the statement No.121 of Volume II and similar figures appearing in Volume I because of the inclusion of some more sub-projects.

3. Beginning this year, the entire table is reclassified as per the classification given by Government.

P : Provisional.

Table XI-16 : Purpose-wise Distribution of Aid Undisbursed

(Rs. crore)

Sector and Country/ Institutions	Aid undisbursed as at the end of March 1991R	Aid undisbursed as at the end of March 1992P
1	2	3
I. Agriculture Sector		
1. IDA	2,023.41	2,074.64
2. IBRD	560.70	886.50
3. Japan	110.17	370.36
4. Others	111.71	158.60
Total	**2,805.99**	**3,490.10**
II. Energy Sector		
1. IDA	192.10	438.08
2. IBRD	7,402.89	12,254.97
3. ADB	1,221.62	1,716.96
4. FRG	1,369.27	1,641.19
5. Italy	488.62	786.18
6 Japan	2,772.68	5,254.33
7. USSR	14,912.52	15,389.86
8. Others	1,224.11	1,465.61
Total II	**29,583.81**	**38,947.18**
III. Fertiliser Sector		
1. IBRD	88.20	89.67
2. Japan	391.21	319.39
3. Others	17.61	20.00
Total III	**497.02**	**429.06**
IV. Industry Sector		
1. IDA	368.85	625.56
2. IBRD	3,296.42	4,563.38
3. ADB	400.76	727.75
4. Japan	114.98	171.84
5. USSR	1,186.18	12,154.93
6. Others	337.92	317.45
Total IV	**5,705.11**	**18,560.91**
V. Infrastructure Sector		
1. IDA	325.41	445.35
2. IBRD	1,298.13	1,693.17
3. ADB	1,412.42	2,695.02
4. Japan	409.90	608.52
Others	115.54	303.91
Total V	**3,561.40**	**5,745.97**
VI. Irrigation Sector		
1. IDA	2,729.74	3,366.36
2. IBRD	987.44	1,085.37
3. Others'	206.61	258.55
Total VI	**3,923.79**	**4,710.28**
VII. Social Sector		
1. IDA	2,369.42	3,838.26
2. IBRD	166.76	-
3. Japan	111.50	271.64
4. Others	140.56	235.50
Total VII	**2,788.24**	**4,345.40**
VIII. Urban Development Sector		
1. IDA	1,811.34	2,157,63
2. IBRD	243.30	244.02
3. Japan	-	529.84
4. FRG	60.31	35.68
Total VIII	**2,114.95**	**2,967.17**
IX. Structural Adjustment Sector		
1. IDA	-	203.11
2. IBRD	-	310.99
3. ADB	-	388.38
Total IX	**-**	**902.48**
X. Others		
1. France	172.86	339.32
2. USSR	7,433.46	3,119.60
3. FRG	212.77	253.60
4. Others	186.01	384.03
Total X	**8,005.10**	**4,096.55**
Grand Total I to X	**58,985.41**	**84,195.10**

Notes : 1. Undisbursed balances as at end of March 1992 are not strictly comparable with those appearing in statement No 121 of Vol. II and similar figures appearing in Volume I because of the inclusion of some more sub-projects.

2. Beginning this year, the entire table is reclassified as per the classification given by Government.

P Provisional.

IV. India's Financial Assistance to Other Countries

Authorisation

The total external assistance authorised by India during 1991-92 at Rs.152 crore was lower than that of Rs.163 crore authorised during the preceding year. Authorisation of loans at Rs.44 crore during the year was marginally lower (by Rs.3 crore) than those during 1990-91. The total amount of grants authorised during 1991-92 at Rs.108 crore were lower than Rs.117 crore during the preceding year. Nepal was the biggest beneficiary under loans while under grants, Bhutan got the largest share followed by grants under ITEC. During 1991-92, loans were authorised to four countries, viz. Mauritius, Nepal, Kampuchiya and Seychelles, of which Nepal accounted for 80 per cent of the total.

Utilisation

The utilisation of aid, comprising loans and grants, extended by India during 1991-92 at Rs.169 crore was higher by Rs.57 crore (51 per cent) over the preceding year. Utilisation of loans at Rs.73 crore was almost six times higher than the previous year. While Mauritius and Kampuchiya fully utilised the loans, authorised to them, the pace of utilisation of loans by Nepal, Sri Lanka, Vietnam and Guyana was higher than that in the preceding year. In respect of grants, utilisation at Rs.96 crore was lower than the utilisation in the previous year. All the countries, Bangladesh, Nepal, Bhutan as also grants under the ITEC, fully utilised the grants authorised to them. The ratio of utilisation to authorisation showed improvement and increased from 68.9 per cent during 1990-91 to 111 per cent in 1991-92. Component-wise, utilisation ratio for loans showed a rise from 25.2 per cent to 166 per cent but in the case of grants, at 88 per cent it was almost the same as in the last year (86 per cent).

Cumulative Assistance extended by India

Total aid authorised by India, comprising loans and grants, up to end-March 1992 amounted to Rs.2,437 crore of which 36.4 per cent was by loan and the balance of 63.6 per cent by way of grants (Table XI-18). The principal beneficiaries on aggregate basis, were Bhutan, (39.6 per cent), Nepal (22.6 per cent), Bangladesh (12.1 per cent), Vietnam (6.9 per cent) and group of five countries under ITEC (8.9 per cent). Utilisation against total aid extended by India as at end-March 1992 amounted to Rs.2,198 crore or 90.2 per cent of aid authorisation. Bhutan, Nepal, Bangladesh and Vietnam together accounted for 76.3 per cent of the total utilisation.

As the utilisation of aid comprising loans and grants during the year under review was higher than the fresh authorisation, undisbursed aid declined to Rs.239 crore by end-March 1992. Of this, Nepal, Bangladesh, Sri Lanka and group of countries under ITEC accounted for 91.7 per cent of the undisbursed balances. Bhutan, among the major beneficiaries could utilise almost entire assistance extended to it till end-March 1992.

V. India's External Debt

India's external liabilities consisting of multilateral and bilateral assistance, commercial borrowings and non-resident deposits have been growing in magnitude over the past few years. This resulted from growing need for financing the persistently widening current account deficits that have been witnessed throughout the eighties. India's medium and long-term external debt (other than non-resident deposits), i.e., a debt having an original or extended maturity of more than one year, which was Rs.35,800 crore (US $ 28.8 billion) at end-March 1985, the end of the Sixth Plan period, rose steadly to Rs.80,335 core (US $ 47.4 billion) at end-March 1990, the end of the Seventh Plan period, showing an increase of 124 per cent (65 per cent in dollar terms). This is estimated to have increased further to Rs.1,71,305 crore (US $ 57.6 billion) at end-March 1992 (Table XI--19). A major part of the debt increase in rupee terms is attributable to the downward adjustment of the rupee vis-a-vis major currencies carried out in July 1991 and to the introduction of LERMS in March 1992. Including NRI deposits, India's external liabilities (other than short-term debt would amount to Rs.1,92,984 crore (US $ 65.5 billion) as at end-March 1991. Besides long and medium-term

Table XI-17 : Assistance Extended by India to Other Countries (Fiscal Years)

(Rs. crores)

Country/ Programme	Authorisations						Utilisation					
	1990-91			1991-92P			1990-91			1991-92P		
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Bangladesh	-	0.6	0.6	-	1.8	1.8	-	0.3	0.3	-	2.0	2.0
2. Bhutan	-	58.3	58.3	-	57.8	57.8	-	58.3	58.3	-	57.8	57.8
3. Mauritius	-	-	-	5.0	-	5.0	1.7	-	1.7	4.9	-	4.9
4. Nepal	35.0	22.8	57.8	35.0	15.6	50.6	-	16.5	16.5	55.0	14.2	69.2
5. Nicaragua	-	-	-	-	-	-	2.2	-	2.2	-	-	-
6. Sri Lanka	-	-	-	-	-	-	-	-	-	1.0	-	1.0
7. Vietnam	11.8	-	11.8	-	-	-	7.4	-	7.4	3.0	-	3.0
8. Guyana	-	-	-	-	-	-	0.5	-	0.5	7.8	-	7.8
9. Cambodia	-	-	-	1.5	-	1.5	-	-	-	1.5	-	1.5
10. Seychelles	-	-	-	2.5	-	2.5	-	-	-	-	-	-
11. ITEC*	-	34.9	34.9	-	33.2	33.2	-	25.7	25.7	-	21.9	21.9
Total	**46.8**	**116.6**	**163.4**	**44.0**	**108.4**	**152.4**	**11.8**	**100.8**	**112.6**	**73.2**	**95.9**	**169.1**

P Provisional

* Includes Grants provided under SCAAP (Special Commonwealth African Countries Assistance Plan)

Notes : 1. Aid to Nepal excludes grant expenditure on Kosi & Gandak Schemes executed by the Bihar Government and the grant expenditure on training to Nepalese Scholars in India.

2. Authorisations are net of de-obligations/cancellations.

Table XI-18 : Aggregate Assistance Extended by India to other Countries (Up to end March 1992)

(Rs. crores)

Country/Programme	Authorisations			Utilisation			Amount undisbursed at end March 1992 (P)		
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1	2	3	4	5	6	7	8	9	10
1. Afghanisthan	6.4	-	6.4	6.4	-	6.4	-	-	-
2. Bangladesh	135.4	158.8	294.2	111.6	142.2	253.8	23.8	16.6	40.4
3. Bhutan	156.3	808.1	964.4	156.3	807.8	964.1	-	0.3	0.3
4. Burma	20.0	-	20.0	20.0	-	20.0	-	-	-
5. Ghana	4.9	-	4.9	4.9	-	4.9	-	-	-
6. Indonesia	10.0	-	10.0	10.0	-	10.0	-	-	-
7. Kenya	5.0	-	5.0	5.0	-	5.0	-	-	-
8. Mauritius	34.5	-	34.5	31.3	-	31.3	3.2	-	3.2
9. Mozambique	8.1	-	8.1	7.9	-	7.9	0.2	-	0.2
10. Nepal	186.9	363.5	550.4	139.9	319.6	459.5	47.0	43.9	90.9
11. Nicaragua	12.5	-	12.5	11.3	-	11.3	1.2	-	1.2
12. People' Democratic Republic of Yemen	1.0	-	1.0	1.0	-	1.0	-	-	-
13. Seychelles	4.4	-	4.4	1.9	-	1.9	2.5	-	2.5
14. Sri Lanka	94.4	-	94.4	71.3	-	71.3	23.1	-	23.1
15. Tanzania	14.2	-	14.2	14.2	-	14.2	-	-	-
16. Uganda	6.5	-	6.5	6.5	-	6.5	-	-	-
17. Vietnam	167.5	-	167.5	156.9	-	156.9	10.6	-	10.6
18. Zambia	5.8	-	5,8	5.8	-	5.8	-	-	-
19. Zimbabwe	4.8	-	4.8	4.8	-	4.8	-	-	-
20. Assistance under ITEC*	-	217.6	217.6	-	152.9	152.9	-	64.7	64.7
21. Guyana	10.0	-	10.0	8.2	-	8.2	1.8	-	1.8
Total	**888.6**	**1,548.0**	**2,436.6**	**775.2**	**1,422.5**	**2,197.7**	**113.4**	**125.5**	**238.9**

P : Provisional.

* Includes Grants provided under SCAAP (Special Commonwealth African Countries Assistance Plan)

Note : 1. Refer to notes to Table XI-17.

2. Aid to Bangladesh does not cover the relief goods of the value of Rs.17 crore supplied to that country in 1971-72.

Table XI-19 : India's External Debt

(Rs. crore)

	As at end-March						
	1985	1987	1988	1989	1990	1991	1992(P)
1	2	3	4	5	6	7	8
A. Medium and Long Term							
1. External Assistance+	24,004 (19,311)	32,312 (24,711)	36,578 (29,182)	46,838 (29,872)	54,101 (32,145)	66,314 (34,281)	109,981 (38,101)
2. IMF	4,888 (3,932)	5,548 (4,291)	4,732 (3,356)	3,696 (2,364)	2,573 (1,494)	5,145 (2,623)	8,935 (3,451)
3. External Commercial Borrowings*	6,908 (5,558)	11,243 (8,697)	13,543 (10,455)	19,147 (12,249)	23,661 (13,735)	29,007 (14,782)	52,389 (16,080)
4. Total (1+2+3)	35,800 (28,801)	49,103 (37,699)	54,853 (42,993)	69,681 (44,485)	80,335 (47,374)	100,466 (51,686)	171,305 (57,632)
B. NRI Deposits	**3,819 (3,075)**	**7,847 (6,073)**	**10,054 (7,770)**	**14,154 (9,049)**	**17,831 (10,363)**	**20,754 (10,584)**	**21,679 (7,847)**
C. Total (A+B)	**39,619 (31,876)**	**56,950 (43,772)**	**64,907 (50,763)**	**83,835 (53,534)**	**98,166 (57,737)**	**121,220 (62,270)**	**192,984 (65,479)**
D. Short term	N.A.	N.A.	N.A.	N.A.	N.A.	**9,418 (4,800)**	**8,687 (3,191)**
E. Grand Total (C+D)						**130,638 (67,070)**	**201,671 (68,670)**
Memorandum Items							
1. Debt Stock (Long & Medium term and NRI deposits) Export Ratio@ (in per cent)	201	270	258	272	247	259	303
2. Debt Service Ratio** (For respective fiscal year) (in per cent)	N.A.	N.A.	N.A.	28.3	24.9	25.2	26.2

\+ Exclude non-Government loans.

* Include non-Government loans under External Assistance Programme and Suppliers' credits from East-European countries repayable in rupees.

** Includes accrued interest in NRI deposits.

@ Exports cover export of merchandise goods plus gross invisible receipts excluding official transfers.

P : Provisional.

Note : 1. Figures in brackets indicate US dollars in millions.

2. Under the figures for 1992 external assistance, external commercial borrowings, NR (E) R deposits and short term debt other than BAF are converted at market rate.
IMF, ID bonds and BAF under short term are converted at official rate.

3. Commercial borrowings for 1992 include India Development Bonds of Rs.4,212 crore (US $ 1,627 mn.)

4. Under NRI deposits, FCNR deposits do not include accrued interest.

5. Above data include NRI deposits and short term debt. But they are not according to the definition and classification as recommended in the recent Reports on External Debt Statistics.

6. Debt Stock-Export ratio is worked out on the basis of the rupee figures.

debt, there exists also short-term debt usually associated with imports. This short-term debt comprises trade credits, suppliers' credits (with less than one year's maturity), bankers' acceptance and other facilities. These latter facilities, which were contracted for public sector undertakings, account for major portion of short-term debt. The outstandings under such bankers' acceptances and other facilities amounted to Rs.8,687 crore (US $ 3,191 million) at end-March 1992.

As a percentage to GDP at current market prices, India's external debt which stood at 22.9 per cent at end-March 1991, is estimated to have risen to 31.7 per cent at end-March 1992. The debt (long and medium-term) to export ratio, which was 259 per cent at end-March 1991, rose to 303 per cent by end-March 1992. The debt-service ratio (i.e., ratio of debt-service payments, including interest on non-resident deposits, to export of goods and invisibles excluding official transfer receipts) is estimated to have increased to 26.2 per cent during 1991-92 from 25.2 per cent during 1990-91 (Table XI-20).

Table XI-20 : Debt Service Ratio

Year	Debt Service Ratio
1988-89	28.3
1989-90	24.9
1990-91	25.2
1991-92	26.2[P]

* Debt Service payments, including interest on NRI Deposits, as per cent of export of goods and invisibles other than official transfer receipts.

P Provisional.

Based on the data available, the Reserve Bank has been publishing statistics of India's medium and long-term external debt in its Annual Reports. The Government of India and international agencies have also been publishing similar data. However, due to differences in definitions and coverage, both the total and components of debt have shown variations as between different sources of data. With a view to reconciling the different sets of figures, and streamlining the procedures and evolving a reliable system of debt statistics, the RBI appointed a Policy Group (to be assisted by a Task Force) to look into the coverage, definition and classification of external debt statistics of India. The Reports of the two Groups have been submitted. According to the definition and classification recommended by the Groups, India's medium and long-term external debt including NRI deposits (of more than one year maturity) amounted to US $ 57,295 million (Rs.1,10,715 crore) as at the end of March 1991. Short-term debt amounted to US $ 5,839 million (Rs.11,283 crore). Short-term debt according to the recommended definition includes NRI deposits up to one year and excludes all trade credits up to 180 days as they are treated as normal trade credits. The total debts mentioned above excludes Rupee/Rouble bilateral credit of US $ 1,669 million (Rs.2,559 crore) and Rupee Suppliers' Credits of US $ 34 million (Rs.67 crore). They do not involve any drawdown of reserves. The Groups also compiled the data for the end of December 1991 on the lines of the new definition. The medium and long-term debt stood at US $ 61,050 million (Rs.1,57,345 crore) and short-term debt at US $ 5,010 million (Rs.12,912 crore) as at the end of December 1991. Rupee/Rouble bilateral credit of US 1,227 million (Rs.3,164 crore) and Rupee Supplier's Credits of US $ 22 million (Rs.56 crore) are not included in the medium-term and long-term debt.

VI. Exchange Rate Developments

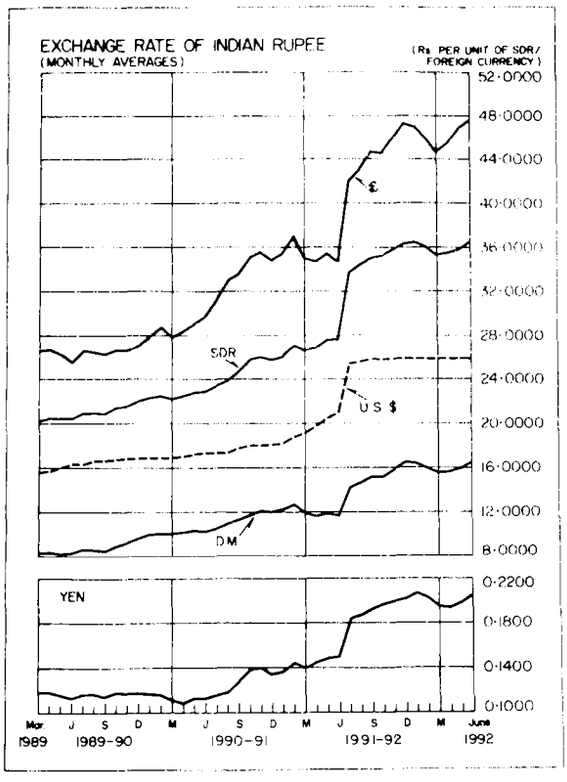
During the first eleven months of 1991-92 (April-February), the rupee-sterling intervention rate was revised 290 times as compared with 282 revisions in the preceding year 1990-91 (April-March).

Effective from March 1, 1992, the US dollar replaced Pound Sterling as the intervention currency under the Liberalised Exchange Rate Management System (LERMS) introduced from that date. The Reserve Bank's buying and selling rates for US dollar have been kept almost unchanged at Rs.100 = US $ 3.8720 and Rs.100 = US $ 3.8530 respectively, since the introduction of LERMS. There was only one revision during March 1992 (on March 5, 1992). There was no revision in the rupee US dollar intervention rate during the first quarter of 1992-93 (April-June), as against 91 revisions in the rupee-sterling rate during the corresponding period of the

preceding year.

The year under review saw some radical changes in policy with regard to the exchange rate of the Rupee. First, the Rupee rate was adjusted downwards in two stages, on July 1 and July 3, 1991. The two-step downward adjustment of the Rupee in terms of the intervention currency, viz., the Pound sterling, worked out to 17.38 per cent. Thereafter, the Rupee exchange rate was anchored on a Rupee-US dollar rate close to Rs.26 a dollar.

Secondly, as announced in the budget speech for 1992-93, effective March 1, 1992, the partial convertibility of the Rupee was introduced in the form of Liberalised Exchange Rate Management System (LERMS). Under the system all foreign exchange receipts on current account transactions (exports, remittances, etc.) are required to be surrendered to the authorised dealers (ADs) in full as hitherto. The rate of exchange for these transactions is the free market rate quoted by the ADs except for 40 per cent of the proceeds which would be based on the RBI official rate. The ADs in turn will surrender to RBI 40 per cent of their purchase of foreign currencies representing current account receipts at the official rate of exchange announced by the RBI. They are free to retain the balance of 60 per cent of foreign exchange for being sold in the free market for permissible transactions.



Those who need to import goods and services or undertake travel abroad are expected to buy foreign exchange at market-determined rates from the ADs subject to the transactions being eligible under the liberalised trade and exchange control regime.

In respect of certain specified priority imports and transactions, provision has been made in the scheme for making available foreign exchange at the official rate. The RBI will thus sell foreign exchange at the official rate to ADs only for, (i) import of specified goods covering Government departmental needs, crude oil, diesel, kerosene and fertilisers, as authorised by the Department of Economic Affairs, Ministry of Finance, Government of India, (ii) imports under Exim Scrips unutilised as on February 29, 1992, and (iii) imports of life-saving drugs and equipment under licences.

For imports under Advance Licences and Special Imprest Licences and imports for replenishment of raw materials for gem and jewellery exports, foreign exchange is available at official rates for 40 per cent of the value. The remaining requirement may be met through purchases in the free market.

Exporters of goods and services and other recipients of inward remittances in convertible currencies are allowed to retain up to 15 per cent of the receipts in foreign currency account with banks in India out of the amount to be surrendered to the ADs at market rates.

The data on annual averages of the rupee exchange rate vis-a-vis the SDR and currencies of India's important trading partners for the year 1987-88 to 1991-92 are given in Table XI-21. During 1991-92, the rupee depreciated against the SDR and all other currencies.

Table XI-21 : Exchange Rate of the Indian Rupee (Annual Averages)* (April-March)

Rupees per unit of SDR/Foreign Currency

Currency	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6
SDR	17.1208	19.2619	21.3684	24.8491	33.4325
		(-11.1)	(-9.9)	(-14.0)	(-25.7)
U.S. Dollar	12.97	14.48	16.65	17.94	24.47
		(-10.4)	(-13.0)	(-7.2)	(-26.7)
Pound Sterling	22.09	25.60	26.92	33.19	42.52
		(-13.7)	(-4.9)	(-18.9)	(-21.9)
Deutsche Mark	7.40	8.05	9.09	11.44	14.62
		(-8.1)	(-11.4)	(-20.5)	(-21.8)
Japanese Yen	0.0941	0.1130	0.1166	0.1279	0.1845
		(-16.7)	(-3.1)	(-8.8)	(-30.7)
French Franc	2.2035	2.3703	2.6802	3.3871	4.2985
		(-7.0)	(-11.6)	(-20.9)	(-21.2)
Canadian Dollar	9.9139	11.9597	14.0931	15.4787	21.2666
		(-17.1)	(-15.1)	(-9.0)	(-27.2)
Swiss Franc	8.9791	9.5672	10.3368	13.4493	16.6702
		(-6.1)	(-7.4)	(-23.1)	(-19.3)
Italian Lira	0.0102	0.0109	0.0124	0.0154	0.0196
		(-6.4)	(-12.1)	(-19.5)	(-21.4)
Netherlands Guildar	6.5760	7.1438	8.0641	10.1775	12.9830
		(-7.9)	(-11.4)	(-20.8)	(-21.6)
Bangladesh Taka	0.4242	0.4636	0.5308	0.5234	0.6806
		(-8.5)	(-12.7)	(+1.4)	(-23.1)
Thailand Baht	0.5146	0.5750	0.6514	0.7101	0.9770
		(-10.5)	(-11.7)	(-8.3)	(-27.3)
Indonesian Rupiah	0.0078	0.0085	0.0093	0.0096	0.0124
		(-8.2)	(-8.6)	(-3.1)	(-22.6)
South Korean Won	0.0162	0.0205	0.0247	0.0251	0.0329
		(-21.0)	(-17.0)	(-1.6)	(-23.7)
Sri Lankan Rupee	0.4352	0.4487	0.4456	0.4509	0.5904
		(-3.0)	(+0.7)	(-1.2)	(-23.6)
Pakistan Rupee	0.7517	0.7907	0.8002	0.8274	1.0214
		(-4.9)	(-1.2)	(-3.3)	(-19.0)
Singapore Dollar	6.2583	7.2868	8.6239	10.1189	14.4255
		(-14.1)	(-15.5)	(-14.8)	(-29.9)
Hongkong Dollar	1.6615	1.8558	2.1368	2.3072	3.1534
		(-10.5)	(-13.2)	(-7.4)	(-26.8)
Malaysian Ringgit	5.1469	5.4534	6.1751	6.6368	8.9883
		(-5.6)	(-11.7)	(-7.0)	(-26.2)

* Based on monthly averages.

Note : 1. The SDR rate is as given in the IMF Survey. For pound sterling it is the middle rate of the RBI Quotations and for other currencies, the rates are average rates on the London Market as crossed with the RBI middle rate for the pound sterling upto February 1992. For March 1992, for US dollar it is the middle rate of the RBI Quotations and for other currencies, the rates are average rates on the New York market as crossed with the RBI middle rate for the us dollar.

2. Figures in brackets indicate percentage appreciation (+)/depreciation (-) of the rupee in terms of the SDR/currency concerned over the previous fiscal year.

As stated earlier, prior to the introduction of LERMS there was a two-step downward adjustment in the exchange value of the rupee, with a view to placing it at an appropriate level consistent with the need to maintain the competitiveness of India's exports, resulting in depreciation of the rupee between 18 to 19 per cent. (These developments were already referred to in the last year's Report). Measured by annual averages, the depreciation of the rupee with respect to selected currencies, with the exception of Swiss Franc, during 1991-92 was higher than in the previous year. In respect of the currencies of the major developed countries, the order of magnitude of depreciation of the rupee were Japanese Yen (30.7 per cent), Canadian dollar (27.2 per cent), US dollar (26.7 per cent), Pound sterling (21.9 per cent), D-Mark (21.8 per cent), French Franc (21.2 per cent) and Swiss Franc (19.3 per cent).

As regards the currencies of major neighbouring developing countries in Asia which are considered to be our competitors in external trade, the rate of depreciation of the rupee was more pronounced during 1991-92 than in the preceding year. It ranged between 19.0 per cent against Pakistan to 30 per cent against Singapore dollar.

Monthly averages of the rupee exchange rates against the four major currencies and the SDR for the period March 1990 to June 1992 are given in Table XI-22. During 1991-92, barring February and March 1992 the rupee depreciated against the SDR. In aggregate, between March 1991 and March 1992 the rupee plunged against the SDR by 24.7 per cent as against its softening of 16.3 per cent in the preceding year. The rupee continued to depreciate against the SDR during the first quarter of 1992-93 aggregating 3.3 per cent as against 4.1 per cent in corresponding quarter of the previous year.

Barring October 1991 and February & March 1992 the rupee also weakened against the US dollar during 1991-92 and depreciated by 25.8 per cent as against 10.8 per cent in the preceding year. During the first quarter of 1992-93, however, while the rupee remained stable against the dollar, it depreciated by 8.6 per cent in the corresponding quarter in the preceding year.

The rupee depreciated against the pound sterling by 21.5 per cent as compared with 20.7 per cent during the preceding year. The upturn in the average monthly value was noticed in April, June and October 1991 and January to March 1992. During first quarter of 1992-93, the rupee depreciated by 6.7 per cent as against the appreciation of 1.2 per cent in the corresponding quarter in the previous year.

In relation to the D-Mark, the rupee weakened by 23.3 per cent in 1991-92 as compared with 16.1 per cent in 1990-91. The rupee ruled easy against the D-Mark month after month barring April and June 1991 and January to March 1992. During the first quarter of 1992-93, the rupee depreciated further by 5.3 per cent as against appreciation of 1.5 per cent in corresponding quarter of the previous year.

Vis-a-vis the Japanese Yen, the rupee depreciated maximum during 1991-92 by 28.2 per cent as against 20.1 per cent during 1990-91. During the year the rupee appreciated only in February and March 1992. During the first quarter of 1992-93 the rupee weakened further by 4.6 per cent as against 6.9 per cent in the corresponding quarter of the preceding year.

There is an urgent need to settle the question of Rupee – Rouble rate, particularly in relation to the settlement of outstanding debt to the Russian Federation. So far the Rupee-Rouble rate used for debt repayments was fixed according to the 1978 Trade Protocol. However, the Rupee-Rouble, Rupee-Dollar and the Dollar-Rouble exchange rates have been such that the cross rates have not been properly aligned. The Russian Federation has become a member of the International Monetary Fund and has declared its exchange rate. It is necessary to arrive at a more realistic Rupee-Rouble rate to settle the outstanding debt obligations of India owed to the Russian Federation.

The experience of LERMS has proved to be encouraging. The spread between market rate and

Table XI-22 : Exchange Rate of the Indian Rupee (Monthly Averages)

(Rupees per unit of SDR/foreign currency)

Month/Year	SDR	US Dollar	Pound Sterling	Deutsche Mark	Japanese Yen
1	2	3	4	5	6
March 1990	22.2961	17.1274	27.8218	10.0454	0.1118
1990-91					
April	22.4947	17.2801	28.2909	10.2436	0.1091
May	22.8417	17.3635	29.1307	10.4449	0.1129
June	22.9224	17.4206	29.7858	10.3484	0.1133
July	23.4243	17.3807	31.4278	10.6136	0.1166
August	23.9396	17.4029	33.0655	11.0861	0.1181
September	24.8615	17.8385	33.5132	11.3604	0.1287
October	25.8186	18.0946	35.1939	11.8610	0.1393
November	26.1205	18.0725	35.5088	12.1760	0.1401
December	25.8590	18.1042	34.8578	12.1080	0.1355
January	26.1074	18.2895	35.3957	12.2629	0.1369
February	27.1633	18.8659	37.0714	12.7507	0.1447
March	26.6358	19.2009	35.0742	11.9658	0.1400
	[-16.29]	[-10.80]	[-20.68]	[-16.05]	[-20.14]
1991-92					
April	26.9490	19.8373	34.7331	11.6621	0.1450
	(-1.16)	(-3.21)	(+0.98)	(+2.60)	(-3.45)
May	27.6335	20.5374	35.4271	11.9545	0.1487
	(-2.48)	(-3.41)	(-1.96)	(-2.45)	(-2.49)
June	27.7722	21.0053	34.6572	11.7874	0.1504
	(-0.50)	(-2.23)	(+2.22)	(+1.42)	(-1.13)
July	33.7851	25.4663	42.0150	14.2566	0.1848
	(-17.80)	(-17.52)	(-17.51)	(-17.32)	(-18.61)

Table XI-22 : Exchange Rate of the Indian Rupee (Monthly Average) *(Concld.)*

(Rupees per unit of SDR/foreign currency)

Month/Year	SDR	US Dollar	Pound Sterling	Deutsche Mark	Japanese Yen
1	2	3	4	5	6
August	34.5066	25.6303	43.1760	14.7097	0.1875
	(-2.09)	(-0.64)	(-2.69)	(-3.08)	(-1.44)
September	35.0719	25.8978	44.6708	15.2737	0.1927
	(-1.61)	(-1.03)	(-3.35)	(-3.69)	(-2.70)
October	35.2641	25.8131	44.4662	15.2733	0.1975
	(-0.55)	(+0.33)	(+0.46)	(-)	(-2.43)
November	35.8539	25.8494	45.9876	15.9420	0.1995
	(-1.65)	(-0.14)	(-3.31)	(-4.19)	(-1.00)
December	36.3976	25.8747	47.2545	16.5510	0.2022
	(-1.49)	(-0.10)	(-2.68)	(-3.68)	(-1.34)
January	36.5374	25.9841	47.0721	16.4778	0.2075
	(-0.38)	(-0.42)	(+0.39)	(+0.44)	(-2.55)
February	36.0715	25.8986	46.0448	16.0063	0.2030
	(+1.29)	(+0.33)	(+2.23)	(+2.95)	(+2.22)
March	35.3472	25.8901	44.6766	15.6030	0.1949
	(+2.05)	(+0.03)	(+3.06)	(+2.58)	(+4.16)
	[-24.65]	[-25.84]	[-21.49]	[-23.31]	[-28.17]
1992-93					
April	35.4851	25.8900	45.4609	15.7052	0.1939
	(-0.39)	(-)	(-1.73)	(-0.65)	(+0.52)
May	35.9313	25.8900	46.8376	15.9647	0.1981
	(-1.24)	(-)	(-2.94)	(-1.63)	(-2.12)
June	36.5507	25.8900	47.7878	16.4642	0.2042
	(-1.69)	(-)	(-1.99)	(-3.03)	(-2.99)

Note : 1. Figures in brackets indicate percentage appreciation (+)/ depreciation (-) of the rupee in terms of SDR/foreign currency concerned over preceding month.

2. Figures in square brackets for March show appreciation (+)/ depreciation (-) of the rupee over preceding March.

the official rate has been remarkably stable. Foreign exchange dealings relating to a wide variety of transactions in goods and services including capital account transactions at the market determined rates, have been conducted smoothly. It has provided an opportunity for the development of market-determined transactions in foreign exchange as a preparatory arrangement for full convertibility on current account.

VII. International Monetary Developments*

Following a near stagnation in world output growth in 1991 at 0.1 per cent (2.3 per cent in 1990) economic activity showed signs of revival during the first half of 1992. Growth is expected to strengthen to 1.1 per cent in 1992 and further to 3.1 per cent in 1993. World trade is forecast to rise from 2.3 per cent in 1991 to 4.5 per cent in 1992 before accelerating to 6.7 per cent in 1993. Recovery continued to be slow and uneven, adversely affected by the persistence of budgetary imbalances in several countries and the resultant divergences in economic policies. Many developing countries have made substantial progress towards stabilisation reforms. Although reforms are beginning to show results in Eastern Europe, the process has just begun in the former Soviet Union where further declines in output can be expected.

Domestic Activity

Industrial Countries

Output growth in industrial countries (ICs) is estimated to have further decelerated to 0.6 per cent in 1991 from 2.4 per cent in 1990. This is the third successive year when output growth slackened in these countries. This is attributed to adjustments in private sector financial positions and a renewed worsening of consumer confidence in most of the major industrial countries, increased taxation and tight stance of monetary policy in Germany as well as relatively high interest rates in the rest of Europe and a reduction in business investment spending in Japan.

In the United States, output growth was negative 1.2 per cent in 1991 as compared with a rise of 0.8 per cent in 1990. Real GDP in 1991 declined by 2.2 per cent and 1.7 per cent in the United Kingdom and Canada, respectively. In Japan, output growth declined to 4.4 per cent in 1991 from 5.2 per cent in 1990 due to sharp deceleration in growth of fixed investment to 3.4 per cent compared with an average of more than 10 per cent a year during the 1987-90 period. Output growth in Germany registered a sharp decline from 4.5 per cent in 1990 to 0.9 per cent in 1991 on account of tax increase used to finance unification, relatively tight monetary conditions and weak foreign demand. In France and Italy, output growth slowed down due to relatively high interest rates which affected consumer expenditure growth and reduced fixed investment. In most of the small industrial countries, activity remained weak in 1991 due either to external factors or domestic policy adjustments following deregulation during the late 1980s in an environment of relatively expansionary policies.

Consumer price inflation in industrial countries declined from 4.9 per cent in 1990 to 4.4 per cent in 1991 reflecting the impact of growing slackness in product and labour markets on wages and commodity prices. In 1992-93, inflation rate is expected to slowdown further to around 3.3 per cent for all industrial countries. In Germany, consumer prices moved up from 2.6 per cent in 1990 to 4.5 per cent in 1991 and are estimated to rise to 4.9 per cent in 1992.

Both short-term and long-term interest rates exhibited a downward trend in 1991 as economic growth in industrial countries failed to pick up momentum. While monetary conditions were eased in the U.S., Canada and Japan, they were tightened somewhat in Germany due to concern about domestic inflation and also in several other countries participating in the Exchange Rate Mechanism (ERM) of the European Monetary System. In the U.S., both the discount rate and the federal funds rate were lowered by about 3 percentage points during 1991. The Federal Reserve continued this policy in 1992 and the cut in July 1992 by half a percentage point brought the discount rate to 3 per cent, its lowest level since 1963. In Japan, the official discount rate was lowered from 6 per cent to 4.5 per

* This section draws on information contained in IMF's *World Economic Outlook*, October 1992.

cent during 1991 in response to signs of slowdown in growth. The year 1992 has seen the official discount rate being lowered in two steps, the latest to 3.25 per cent at end-July. However, the Bundesbank raised the discount rate and the Lombard rate to reach historically high levels of 8 per cent and 9.75 per cent, respectively, by the end of 1991. The Bundesbank further raised the discount rate to 8.75 per cent in mid-July 1992, leaving the Lombard rate unchanged. This contributed to increases in official rates also in France and Italy and several other countries participating in the ERM. The overall trend in short-term interest rates nevertheless remained downward with the average rate for the seven major industrial countries declining from 9.2 per cent in 1990 to 7.8 per cent in 1991 and further to 6.3 per cent in July 1992.

With the build-up of pressures within the ERM and in conjunction with the realignment of ERM currencies, the Bundesbank cut its discount and Lombard lending rates by 0.5 percentage points and 0.25 percentage points to 8.25 per cent and 9.5 per cent, respectively, on September 14, 1992. In UK, as the pound sterling weakened, the Bank of England reintroduced its minimum lending rate on September 15, 1992 and used it to signal two increases in base rates, first from 10 per cent to 12 per cent and again to 15 per cent. Despite these increases, the sterling breached its lower intervention limits against the DM and was suspended from the ERM. At that point, base rate was reduced in stages to 12 per cent, 10 per cent and finally to 9 per cent, the lowest rate since June 1988. By November 13, the base rate was further cut in two slabs to 7 per cent. In France, short-term interest rates rose sharply after the September 20, referendum. The Bank of France tightened monetary policy to defend the franc by raising its 5-10 day lending rate from 10.5 per cent to 13 per cent on September 23. Short-term interest rates rose sharply in Italy in September amid the devaluation of the Italian currency. On September 4, the Bank of Italy raised its discount and Lombard rate by 1.75 percentage points to 15 per cent and 16.5 per cent, respectively to defend the Italian Lira. Elsewhere in the EMS, several countries tightened monetary policy to defend their currencies including Spain, Portugal and Ireland.

Long-term interest rates also declined in the seven major industrial countries from 9.0 per cent in 1990 to 8.3 per cent in 1991 and further to 7.3 per cent in August 1992,reflecting downward revisions to expectation of growth and inflation.

Broad money growth in G-7 countries decelerated from 5.6 per cent in 1990 to 3.5 per cent in 1991. In the United States, the broad monetary aggregate grew very slow at 3.0 per cent in 1991 as compared with 3.5 per cent in 1990 whereas narrow money growth was robust at 8.7 per cent in 1991 as compared with 4.0 per cent in 1990. A similar situation existed in Japan. In Germany, the situation was the reverse with broad money growing more rapidly than narrow money. Broad money grew by 6.4 per cent in 1991 as against 6.0 per cent in 1990 while narrow money growth was only 3.0 per cent in 1991 as compared with 7.8 per cent in 1990.

The combined current account deficit of the industrial countries is estimated to have narrowed from $ 104.4 billion in 1990 to $ 23.5 billion in 1991 due to war-related transfers from countries in the Middle East and an improvement in the terms of trade stemming from the decline in oil prices.

Developing Countries

Despite the recession in much of the industrial world, GDP growth in developing countries averaged at 3.2 per cent in 1991 as compared to 3.6 per cent in 1990, while inflation was halved to 42.5 per cent in 1991. Growth in output is projected to rise on an average by 6.2 per cent in 1992 and 1993, reflecting partly the recovery in the Middle East region in 1992.

Real output growth in the developing countries in Africa remained weak in 1991 at 1.5 per cent as the terms of trade deteriorated by 6.2 per cent and export receipts fell. In sub-Saharan Africa, too, output rose by only 1.4 per cent and per capita GDP further declined by 1.4 per cent. Inflation in Africa intensified (27.1 per cent in 1991 against 16.2 per cent in 1990), owing to a sharp increase in money growth as well as hikes in administered prices and exchange rate depreciations. Real output in Asia grew by 5.7 per cent in 1991 as compared with 5.5 per cent in 1990. Inflation in Asia was roughly unchanged at 9 0 per cent. During the two year period ahead, growth in Asia is expected to continue at

about 6.8 per cent a year, while inflation is projected to decline gradually to about 8.1 per cent by 1993. The crisis in the Middle East reduced growth in the region (Middle East and Europe) to 0.3 per cent in 1991, primarily as a result of output losses close to 50 per cent in Iraq and Kuwait. Much of the increase in inflation in Middle East and Europe in 1991 (22.1 per cent as compared with 16.6 per cent in 1990) can also be attributed to the crisis, which boosted fiscal deficits and led to a scarcity of consumer goods. Economic conditions improved noticeably in many countries of the Western Hemisphere in 1991. Despite a weak growth of export markets, real GDP expanded by 2.9 per cent and is projected to increase by a further 2.8 per cent in 1992. Improved policies resulted in a sharp decline in the average rate of inflation in Western Hemisphere from 649.7 per cent in 1990 to 163.2 per cent in 1991.

The aggregate current account deficit of the developing countries rose from $ 14.2 billion in 1990 to $ 78.2 billion in 1991. War-related transfers from Kuwait and Saudi Arabia to the US, France and the UK, together with reduced trade surpluses in the Middle East, accounted for about half the increase. The deterioration in the current account was also on account of the influence of cyclical developments in the industrial countries and the worsening of terms of trade. The aggregate current account deficit is projected to fall to $ 52.9 billion by 1993.

International Trade and Payments

After strong expansion during 1987-89, the volume of world trade grew by 3.9 per cent in 1990 and 2.3 per cent in 1991, reflecting the cyclical slowdown in import demand in the industrial countries and the collapse of trade between the countries of eastern Europe and the former Soviet Union. The growth in export volume of industrial countries declined for the second year in succession from 5.5 per cent in 1990 to 2.9 per cent in 1991. Similarly, import volume growth in industrial countries also declined to 2.4 per cent in 1991 as compared to 4.5 per cent in 1990. Volume growth of exports in developing countries showed a rise of 7.6 per cent in 1991 as against 4.9 per cent in 1990 whereas import volume surged even higher by 9.3 per cent in 1991 as compared with 5.4 per cent in 1990.

According to the IMF, the growth in world trade is expected to increase to 4.5 per cent in 1992. Volume of exports and imports in industrial countries is also expected to rise further in 1992 (3.8 per cent and 4.1 per cent). Import volume growth is expected to decline in developing countries (8.5 per cent) while export volume growth is projected to rise further (8.1 per cent).

The slowdown in industrial countries' growth was reflected in the continuing decline of non-fuel commodity prices (3.3 per cent in 1991 against 7.2 per cent in 1990). In 1992, these are projected to decline further by 0.7 per cent before rising by 4.0 per cent in 1993.

The terms of trade of developing countries which had shown an improvement of 2.1 per cent in 1990 deteriorated by 3.6 per cent during 1991. The terms of trade of fuel exporters showed a drastic deterioration by 12.9 per cent in 1991 while that of non-fuel exporters declined by 0.2 per cent.

The current account deficit of the US declined sharply from $ 90.4 billion in 1990 to $ 3.7 billion in 1991 mainly because of war-related transfers. As this was only a temporary phenomenon, the deficit is expected to widen again to $ 34.7 billion in 1992 (0.6 per cent of GDP). Japan's current account surplus doubled from $ 35.8 billion (1.2 per cent of GDP) in 1990 to $ 72.9 billion (2.2 per cent of GDP) in 1991. It is expected to rise further to $ 110.4 billion (3.0 per cent of GDP) in 1992. The widening of surplus in Japan reflects a sharp decline in purchase of gold investment certificates, slower growth of imports and large terms of trade gains. The current account surplus of Germany shifted from a surplus of $ 47.1 billion (2.9 per cent of GNP) in 1990 to a deficit of $ 19.8 billion (1.2 per cent of GNP) in 1991. The recent moderation of growth in West Germany and the subsequent slowdown in the growth of exports is expected to reduce the current accounts deficit of Germany to $ 8.6 billion in 1993 after an increase to $ 21.8 billion in 1992.

The combined current account deficit of develop-

ing countries increased from $ 14.2 billion in 1990 (1.4 per cent of exports of goods and services) to $ 78.2 billion in 1991 (7.3 per cent of exports of goods and services). It is expected to widen to $ 51.8 billion (4.5 per cent of exports of goods and services in 1992).

Access Policy and Limits under the Ninth Quota Review

The International Monetary Fund has revised access limits following the effectiveness of increase in quotas under the Ninth General Review. The enlarged access policy stands terminated and in future the Fund will use its ordinary resources to finance purchases in the credit tranches or under the extended facility and the normal terms regarding charges (including burden sharing) and repurchase periods for the use of ordinary resources will apply.

Limits on annual and cumulative access to the Fund's resources have been set at 68 per cent and 300 per cent of quota, respectively. Access under the Compensatory and Contingency Financing Facility and the Buffer Stock Financing Facility (including sub-limits) has also been adjusted in proportion to the adjustment in the annual limit on access under the credit tranches and the extended facility, taking the present lower annual limit as the base and have been set at 95 per cent and 35 per cent, respectively.

Potential access under the Structural Adjustment Facility (SAF) has been set at 50 per cent of quota, of which 15 per cent of quota would be available in the first year, 20 per cent in the second year and 15 per cent in the third year. Regarding access under the Enhanced Structural Adjustment Facility (ESAF) for originally eligible member countries, the maximum limit is to be set at 190 per cent of quota and the exceptional limit at 255 per cent of quota.

SDR Allocation and SDR Interest Rate

The Special Drawing Rights (SDR) is an international reserve asset created by IMF and allocated to its members to supplement the existing reserve assets. IMF has allocated a total of SDR 21.4 billion in six allocations since the creation of SDR in 1970.

A member whose holdings of SDRs exceed its net cumulative allocation earns interest on those excess holdings and a member whose holdings are less than its net cumulative allocation pays charges at the same rate on its net use of SDRs. The interest rate for the SDR is determined weekly. The quarterly rates of interest and rates of remuneration for the six quarters upto September 1992 are presented in Table XI-23.

Table XI-23: SDR Interest and Remuneration Rates@

(per cent per annum)

For the quarter ended	SDR Interest Rate/Rate of Remuneration@
June 1991	7.73
September 1991	7.48
December1991	7.01
March 1992	6.63
June 1992	6.48
September1992	6.24

@ Figures relate to the average of weekly rates.

IMF Quota - Ninth General Review

In accordance with the IMF's Articles of Agreement, the Board of Governors is required, at intervals of not more than five years, to conduct a general review of quotas and to propose any adjustments in the members' quotas considering their relative economic position.

Under the Ninth General Review of Quotas, a resolution proposing an increase of 50 per cent in members' quotas from SDR 90.1 billion to SDR 135.2 billion was adopted by the Board of Governors of the IMF on June 28, 1990. Increases were proposed for all members except Cambodia which did not participate in the Review. However, the commencement of quota increase was linked to the Third Amendment to Articles of Agreement by the Fund to provide for suspension of voting and certain related rights of the member that does not fulfil its obligations under the Articles. The quota increase came into effect from November 11,1992. India's quota has been raised from SDR 2,207.7 million to SDR 3,055.5 million, an increase of 38.4 per cent.

Rate of Charge, Overdue Obligations and Burden Sharing

The basic rate of charge on the use of ordinary resources of the Fund has been set as a proportion of the weekly SDR interest rate since 1989-90. The rate of remuneration has remained at 100 per cent of the weekly SDR interest rate since February 1, 1987. The rate of charge on the use of ordinary resources and rate of remuneration are adjusted each quarter under the burden sharing mechanism to finance one half each of the cost of deferred charges and the allocation to the Special Contingent Account (SCA-1) of 5 per cent of reserves at the beginning of the fiscal year (May- April) subject to the condition that adjustments to the rate of remuneration cannot reduce it to less than 85 per cent of the SDR interest rate. Further adjustments are made to the rate of charge on the use of ordinary resources and to the rate of remuneration (subject to the floor of 80 per cent of the SDR interest rate) under the extended burden sharing decision, in order to generate resources to be placed in a second Special Contingent Account (SCA - 2). The basic rate of charge and the rate of remuneration together with adjustments to them for the five quarters ended July 31, 1992 are summarised in Table XI - 24.

For the Fiscal Year (FY) 1992, the Board set the basic rate of charge at 96.6 per cent of the SDR interest rate taking into account the estimated income and expenditure for the year and agreed target amount of income. For FY 1993, the basic rate of charge has been fixed at 97.9 per cent of the SDR interest rate.

Overdue Financial Obligations

During the year 1991 the increase in overdue obligations continued to slow down due to settlement by overdue members of a significant proportion of obligations as they fell due; it was the lowest since 1982. The total amount of overdue obligations of members in arrears to the Fund which was SDR 3.42 billion at the end of December 1990 increased to SDR 3.62 billion at end-December 1991 and declined thereafter to SDR 3.56 billion by the end of June 1992. Countries in arrears to the Fund by six months or more are Cambodia, Iraq, Liberia, Peru, Sierra Leone, Somalia, Sudan, Vietnam, Zaire and Zambia. Panama which had become ineligible to use the Fund's general resources on June 30, 1989 settled its arrears on February 5, 1992.

In the context of the collaborative approach under the strengthened cooperative strategy on overdue financial obligations to the Fund, the Fund decided in April 1992 to discontinue levying special charges in the General Resources Account (effective May 1, 1992) on members with overdue obligations in the General Resources Account that have been outstanding for six months or more.

Use of International Monetary Fund (Fund) Resources

During 1991, IMF credit to member countries increased sharply to SDR 7.4 billion as compared with SDR 4.3 billion and SDR 3.5 billion during 1990 and 1989, respectively. The purchases (drawings) of SDR 7.4 billion in 1991 were under stand-by arrangement (SDR 2.5 billion), Extended Fund Facility (EFF) (SDR 1.9 billion) and Compensatory and Contingency Financing Facility (CCFF) (SDR 3.0 billion). Repurchases (repayments) which had steadily declined from SDR 7.9 billion in 1987 to SDR 5.9 billion in 1990 declined further to SDR 4.7 billion in 1991. Thus, the process where the fund recieved more than it provided to the member countries halted after a lapse of about seven years and there was a net disbursement of SDR 2.7 billion to member countries during 1991 (Table XI- 25).

In the first half (January - June) of 1992, total purchases amounted to SDR 2.0 billion as compared with SDR 4.5 billion in the corresponding period of 1991. Repurchases remaining at the level of SDR 2.3 billion, there was a net flow of Fund credit to members to the extent of SDR 2.1 billion in the first half of 1991 as against a negative flow of SDR 0.3 billion in the half year ended June 1992.

The outstanding Fund credit under General Resource Account which had continuously declined from SDR 28.7 billion in 1987 to SDR 20.7 billion in 1990 rose to SDR 23.4 billion in 1991. However, by

Table XI - 24 : Rate of Charge and Remuneration

(In per cent)

For the quarter ended	Rate of Charge			Rate of Remuneration		
	Basic Rate*	Adjustment+	Adjusted Rate	Unadjusted Average Rate @	Adjustment +	Adjusted Average Rate
1	2	3	4	5	6	7
July 31, 1991	7.40	1.15	8.55	7.66	(-) 1.53	6.13
October 31, 1991	7.09	1.29	8.38	7.34	(-) 1.47	5.87
January 31, 1992	6.64	1.07	7.71	6.87	(-) 1.37	5.50
April 30, 1992	6.38	1.07	7.45	6.60	(-) 1.32	5.28
July 31, 1992	6.28	1.01	7.29	6.41	(-) 1.28	5.13

* This is determined by assuming that all charges due and accrued would be paid.

\+ This is on account of burden sharing of overdue charges and the amounts to be placed in Special Contingent Account - 1 and Special Contingent Account -2.

@ This is equivalent to the average SDR rate of interest for the quarter concerned.

end - March 1992, it declined by SDR 0.2 billion to SDR 23.2 billion and remained at the same level of SDR 23.1 billion as of September 30, 1992.

During 1991, loans disbursed under the Structural Adjustment Facility (SAF) totalled SDR 177.1 million and under Enhanced Structural Adjustment Facility (ESAF) SDR 604.8 million. At the end of 1991, SAF and ESAF resources outstanding amounted to SDR 1.9 billion and SDR 1.3 billion, respectively. Trust Fund loans outstanding were SDR 157.7 million (the last such loan was made in 1981). During the quarter ended March 1992, SDR 2.3 million loans were disbursed and no repurchases were made in this period.

The number of Fund arrangements with member countries as of March 31, 1992 totalled 52 with a commitment of SDR 20.1 billion, the highest since FY 1983, when they totalled SDR 25.0 billion. However, by the end of September 1992, the Fund arragements declined to 48 with a commitment of SDR 20.2 billion. These 48 arrangements included 23 stand-by arrangements (SDR 5.8 billion) 6 extended arrangements (SDR 12.2 billion), 3 arrangements under the SAF (SDR 55.93 million) and 16 arrangements under the ESAF (SDR 2.1 billion). As of December 1991, there were 50 Fund arrangements with a total commitment of SDR 17.7 billion.

Membership

With the joining of Albania and Lithuania, the Fund membership increased to 157 countries in fiscal 1991-92 from 155 in fiscal 1990- 91. A move towards universal membership got strengthened in 1991-92 as all the 15 States of the former Soviet Union, the Republics of Croatia, Slovenia and Bosnia-Herzegovina, the Federated States of Micronesia, and the Republic of the Marshall Islands applied for membership. Of the 15 States of the former U.S.S.R., nine States viz, Armenia, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania and Russia became members by the end of July 1992. The Republics of Marshall Island and San Marino also joined the IMF, as did Switzerland after a national referendum by the end of September 1992. As on September 30, 1992 the total membership stood at 173.

International Reserves

In 1991, international non-gold reserves and li-

@ SDR 1 was equal to US $ 1.42 and US $ 1.43 at the end of 1991 and 1990 respectively.

Table XI - 25 : Fund Purchases and Repurchases

(Billion SDRs)

	1989	1990	1991	January-June 1991	January-June 1992
1	2	3	4	5	6
1. Total Purchases @	3.5	4.3	7.4	4.5	2.0
2. Total Repurchases @	5.9	5.9	4.7	2.4	2.3
3. Net Purchases	(-)2.4*	(-)1.6*	2.7	2.1	(-)0.3*

@ Excludes reserve tranche purchases.
* Repurchases exceed total purchases.
Source : International Financial Statistics - July 1992.

quidity rose for the sixth consecutive year. The non-gold reserves include foreign exchange, reserve position in the Fund and SDRs. Non-gold reserves (expressed in SDRs) increased by 5.3 per cent to SDR 671.9 billion during the year as against a rise of 7.9 per cent to SDR 637.9 billion in 1990. (Table XI-26)

Aggregate reserves of industrial countries which had increased for the eighth consecutive year to SDR 414.1 billion at the end of 1990 declined by SDR 13.4 billion or 3.2 per cent to SDR 400.6 billion during 1991, with most of the decline occurring during the last quarter of 1991. With the exception of U.K., all the major industrial countries recorded a decline in their reserve holdings. Italy's reserves declined the most during the period by SDR 10.2 billion or 23.1 per cent to SDR 34.0 billion.

The non-gold reserves of the developing countries increased for the fifth consecutive year to SDR 271.3 billion at the end of 1991, a rise of SDR 47.5 billion or 21.2 per cent over the year. Among developing country regions, Asian countries recorded the largest increase in reserves in 1991 (by SDR 28.7 billion to SDR 155.7 billion). Of this, the reserves of People's Republic of China rose by SDR 9.7 billion to SDR 30.5 billion and that of Taiwan Province of China rose by SDR 6.7 billion to SDR 57.6 billion.

The rising trend in the non-gold reserves of all member countries continued during the first quarter of 1992. Of the total increase of SDR 19.8 billion to SDR 691.7 billion, reserves of industrial countries rose by SDR 4.3 billion to SDR 404.9 billion and that of developing countries rose by SDR 15.5 billion to SDR 286.8 billion. Reserves rose the most in Asian developing countries (by SDR 12.0 billion to SDR 167.7 billion) but declined in European developing countries (by SDR 2.2 billion to SDR 13.0 billion) during the quarter ended March 1992.

Among the components of reserves, foreign exchange reserves rose by SDR 31.7 billion to SDR 625.5 billion (5.3 per cent) in 1991. While the foreign exchange reserves of industrial countries declined by SDR 16.0 billion to SDR 360.4 billion (4.3 percent), the holdings of developing countries increased by SDR 47.8 billion to SDR 265.1 billion or 22.0 per cent during the year.* In Asia, the largest gain was registered by the People's Republic of China by SDR 9.7 billion to SDR 29.8 billion. During the half year ended June 1992, the world foreign exchange reserves rose by SDR 18.7 billion to SDR 644.5 billion. The rise in foreign exchange was SDR 2.2 billion and SDR 16.5 billion for industrial and developing countries, respectively.

Between 1985 and 1990, there was a steady decline in the reserve position in the Fund from SDR 38.7 billion to SDR 23.7 billion. This improved by SDR 2.1 billion to SDR 25.9 billion in 1991 but declined marginally to 25.5 billion at end-March 1992.

* The IMF Working Party Report on the measurement of International capital flows notes that "because limited information is divulged on the instrument breakdown of reserves, it has been difficult to identify the counterpart transactions in debtor countries' capital accounts."

Table XI-26 : International Reserves (Excluding Gold)

SDR Million

Country Group	Total Reserves (Excluding Gold)		SDRs		Reserve Position in the Fund		Foreign Exchange Reserves	
	1990	1991	1990	1991	1990	1991	1990	1991
1	2	3	4	5	6	7	8	9
All Countries	637,869	671,907	20,354	20,551	23,749	25,888	593,766	625,468
Industries Countries	414,068	400,635	17,615	17,455	19,977	22,774	376,476	360,406
Developing Countries	223,801	271,272	2,739	3,096	3,772	3,114	217,290	265,063

Source : International Financial Statistics, July 1992

The SDR holdings of all countries moved up marginally from SDR 20.4 billion at end-December 1990 to SDR 20.6 billion at end-December 1991 and remained unchanged at the same level for the quarter ended March 1992.

Gold in International Markets

During the period under review, gold prices, like most other commodities and many real and financial assets, continued to display considerable weakness. Though the supply of gold coming on to the market remained more or less steady, prices tended to move downwards for the fourth year in succession. At the same time, demand was constrained by recession and the absence of a serious threat of an acceleration of inflation in most industrial countries.

The aggregate supply of gold witnessed no significant change as modest increases in mine production and some net sales by official holders were offset by the net repayment of gold loans and some contraction in overall supplies from the former Soviet Union and China.

In the past few years, industrial demand for gold and its total use had exceeded the mine output but the demand for gold has been rather weak during the period under review. Recession in industrial countries moderated industrial purchases while investment and speculative demand were curtailed by the downward trend in the price of gold. Moreover, in richer countries of the Far East, the jewellery market seems to have reached a plateau. Also financial liberalisation has enabled portfolio diversification with higher returns especially in Japan.

As a result, the price of gold, which had risen in early 1991 with the prospects of war in the Middle East, declined with some fluctuations to US $ 344 per fine ounce in mid-September 1991, from US $ 390 at end 1990.

It was only in late September that there was a minor uptrend in prices, on the announcement that Russian reserves were much smaller than had been widely supposed. However, the price rise to US $ 371 in mid- December proved transitory and once again quotations resumed their downtrend, reaching a six-year low of US $ 332.5 an ounce in New York at the end of August 1992. This price fall was largely attributed to a decline in investor demand, recovery in production in South Africa and pick-up in sales by Australian producers.

On the whole, gold price was unusually stable during 1991-92. Both the trading range and day-to-day volatility were clearly smaller than in earlier years.

Table XI-27 : Volatility in Gold Prices

1	2	3	4	5
	1989	1990	1991	1992 (Upto March)
Standard[1] deviations of day-to-day percentage changes	0.78	0.96	0.65	0.48

1 London morning fixing, US $ fine ounce, annual average.

Source : BIS, Annual Report,1992.

As a consequence, turnover in gold futures and

options decreased sharply, falling to the lowest level since 1986. The lower price volatility can be attributed to the changing market conditions. Demand for jewellery purposes has proved to be price-elastic. Secondly, use of hedging techniques by gold producers has become much more widespread and tended to restrain price rallies. Thirdly, the emergence of a number of derivative instruments which allow highly leveraged position to be taken may have diverted some speculative demand away from gold for which delivery and storage costs are high.

Finally, some major producers like South Africa have intervened in the markets to attempt to promote the stability of price.

Developments in Exchange rates of major currencies

The period 1991-92 witnessed relatively large movements in exchange rates of major currencies in apparent disregard of the so-called "fundamentals" and, on occasion, in the face of clear signals from the authorities in the form of exchange market interventions. Instead, as in other financial markets, the ebb and flow of sentiment about the likelihood of recovery in the United States and related interest rate expectations seems to have been one important factor affecting exchange market developments.

The US dollar, which was weak in 1990-91, rebounded in early 1991 as more buoyant economic indicators appeared. This rebound was so rapid, that it led to rapid intervention by authorities, to restrain the rise. However, it peaked in early July 1991 rising, since its trough in February 1991, by 26 per cent against the Deutsche Mark (DM) and by about 24 per cent against the pound sterling. The rise vis-a-vis the yen was more modest, at around 9 per cent. The optimism about a US recovery and soaring confidence in the wake of the success by the US in the Gulf war, the willingness of other countries to lend financial support which helped to dissipate earlier concerns about the possible implications for both the US budget and the external current account balance were the major reasons for the rebound in the dollar. However, the sharper appreciation of the dollar against DM, despite intervention by Bundesbank, and a further widening of short-term interest rate differential, suggest problems in the eastern German economy.

The rising trend of the dollar was followed by a downturn, reversing all of the earlier average effective gain. The reversal against Yen by 12 per cent was somewhat less than against DM. This was not considered to be particularly appropriate given Japan's steadily mounting trade surplus alongside a slowdown in the domestic economy. Eventually the dollar reached lows of Yen 123 and DM 1.51 in the first week of January 1992. In nominal trade-weighted terms this brought it to within one per cent of the low point reached in the previous February. However, in apparent reactions to these early 1992 lows, the dollar suddenly rebounded against the DM and the Yen and by the middle of March 1992, these gains amounted to 11 per cent and 9 per cent, respectively.

In the subsequent months of 1992, the dollar started to fall against most major currencies and reached a historic low against the Deutsche Mark at DM 1.387 on September 2,1992. Portfolio shifts out of the dollar reflected the still lacklustre US economic recovery. However, with the turmoil in the European Monetary System (EMS), the downward pressure on the dollar was mitigated.

The Yen which was markedly weak during 1989 and the first half of 1990, recovered somewhat in effective nominal terms. During the period under review, it first consolidated and then extended, moderately, its early gains. By early July 1991, the Yen had risen sharply against the DM by nearly 18 per cent as compared with its level at the beginning of 1991. One important contributory factor was the rapid elimination of the German current account surplus.

However, given the Yen's fall against the dollar, its real effective value changed little during the first half of the year. In the second half, both long and short-term interest differentials moved against the Yen, by nearly 4 percentage points vis-a-vis the DM by end 1991. Hence, despite the resurgence in Japan's external surplus, the Yen fluctuated without any clear trend during the third quarter before actu-

ally reversing nearly half of its earlier gain by the end of the year.

In January 1992, it recovered quite sharply against the DM following expectations about peaking of German interest rates. However, in real effective terms the Yen was still below its Louvre Accord in February 1987.

In the European Monetary System, the tensions in both the narrow and the wide band of the Exchange Rate Mechanism (ERM) increased through the latter part of 1991. This was due to upward pressure on the DM and the Spanish peseta, downward pressure on the sterling and the continuing weakness of the French Franc.

The main contributory factor seems to have been the increasingly divergent monetary policy stances in the US and Germany, stemming partly from the pressure arising from German unification, which put upward pressure on the Mark within the ERM. These tensions were absorbed partly by the co-ordinated interest rate adjustments and partly by intervention, and they eased somewhat in early 1992 as the dollar strengthened. The exchange rate mechanism (ERM) of the EMS further experienced severe tensions during September 1992 which stemmed partly from the Danish "no" vote on the Maastricht Treaty in June and also from continued divergences in fiscal and cyclical positions of EMS countries. These tensions resulted in a realignment of the ERM currencies in which the Italian Lira and Spanish peseta were devalued, and the pound sterling suspended from the ERM.

Further the narrow French "yes" vote on Maastricht did little to calm the tension; in fact it put pressure on the French franc. Intervention by European Central Banks was reported to be in excess of US $ 150 billion to maintain the ERM margins.

Debt Strategy

The fundamental principles underlying the debt strategy continue to remain unchanged, viz., (i) debtor countries need to pursue strong adjustment and structural reform programmes; (ii) creditors and donors need to ensure the provision of adequate external financing in support of such programmes on a case-by-case basis; and (iii) the international economic environment must be conducive to its success.

Debt and debt-service reduction have become an important element of debt-restructuring packages. The reduction in external debt obligations has been achieved through three main channels; official debt forgiveness, including rescheduling through the concessional menu of options provided by the Paris Club, officially supported debt and debt-service reduction agreements with the commercial banks and various market-based debt conversion programmes, including debt-equity conversions. Three debt-restructuring agreements were concluded in 1991 with commercial bank creditors (Mozambique, Niger and Nigeria) which included officially supported debt reduction operations. Since the implementation of the Brady Plan in May 1989, up to end-1990, five countries (Costa Rica, Mexico, the Philippines, Uruguay and Venezuela) had already completed debt reduction packages with commercial banks. In addition, Paraguay reduced its commercial bank debt through a series of buybacks at market-related discounts and Brazil reached agreement with its commercial bank creditors on the treatment of interest arrears.

A noteworthy aspect of these restructuring programmes has been the variety of techniques used, including temporary interest rate reduction bonds, exit bonds, debt-equity swaps and phased market buybacks. A variety of sources have funded the operations, viz., the World Bank, the IMF, the Inter-American Development Bank, bilateral creditors, particularly, Japan and debtor countries' own reserves. The diversity of these instruments exemplifies the usefulness of case-by-case approach to differing country circumstances.

In a significant departure from previous practices, the Paris Club concluded debt restructuring agreements with Poland and Egypt. These agreements provided for a 50 per cent reduction in the present value of their debt. At their London summit in July 1991, the G-7 countries urged the Paris Club

to consider offering additional measures going well beyond the relief already granted under Toronto Terms to low-income countries on a case-by-case basis. The "Toronto Terms" comprises three options; reducing debt service by one third rescheduling at concessional interest rates, or rescheduling at longer maturities. The UK proposal (known as Trinidad terms) proposed that two thirds of the debt of severely indebted low income countries would be forgiven by Paris Club Creditors' and the remainder repaid over 25 years, including 5 years grace. Further, for countries with severe cash flow problems, moratorium interest could be capitalised for five years and later payments could be gradually, linked to the country's exports. In December 1991, the Paris Club agreed on enhanced concessions in bilateral restructuring agreements for low-income developing countries. The new terms provided for a 50 per cent reduction in the net present value of the consolidated debt service payments on debt not associated with official development assistance. Also by end of 1991, $ 17 billion of official bilateral debt forgiveness had been granted to 41 countries, of which cancellations of bilateral concessional debt amounted to $ 13 billion.

During the first half of 1992, debt restructuring agreements were successfully completed for several developing countries. Argentina announced an agreement reducing medium and long-term foreign debt and interest. Brazil entered into an agreement in principle with commercial banks to restructure $ 44 billion in commercial external debt. In addition, twelve developing countries concluded bilateral debt restructuring agreements with official creditors, consolidating more than $ 17 billion of debt servicing obligations.

Although three years have passed since the introduction of enhanced strategy, only a small number of countries have been able to negotiate restructuring packages. Led by bond financing, Mexico and a few other Latin American countries have regained access to voluntary financing. Still, there has been no considerable improvement in the external viability of many of the severely indebted developing countries. A number of these countries are undertaking far reaching economic reforms under the aegis of the IMF and these need to be supplemented by adequate foreign financing. In the case of low-income countries, a sustained flow of concessional financing from donors needs to be supplemented by greater concessionality in restructuring their bilateral debt.

External Debt Situation

Total external debt of developing countries (excluding the use of Fund credit) increased by 6.3 per cent to reach US $ 1362 billion by the end of 1991 (Table XI-28). The same is projected by the Fund to rise to US $ 1427 billion in 1992 before further increasing to US $ 1473 billion in 1993. For the first time since 1981 the share of official debt in total external debt of developing countries fell to about 42 per cent in 1991. Lending by private creditors increased (inclusive of commercial banks and other private creditors) by around 6.6 per cent to US $ 778 billion during 1991 as improvement in credit worthiness and stronger reserve position helped some countries to regain access to private sources.

The external debt of Africa increased by US $ 3.5 billion to US $ 227.6 billion in 1991. In Asia, external debt increased by US $ 44.9 billion to US $ 415.6 billion in 1991. In the Western Hemisphere too, total external debt increased by US $ 18.7 billion to US $ 442.8 billion in 1991. The developing countries of Middle-East and Europe registered an increase in debt of US $ 13.3 billion to US $ 275.8 billion in 1991. While the total stock of debt of the fifteen heavily indebted countries* increased by US $ 19.5 billion to US $ 512.4 billion in 1991, that of sub-Saharan African countries increased by US $ 5.9 billion to US $ 119.1 billion.

Although there has been a substantial improvement of debt indicators since 1986 reflecting reduced borrowing, improved economic performance, and the impact of debt-reduction operations, the indicators either worsened marginally or showed only slight improvements during 1991. The ratio of

* These countries are Argentina, Bolivia, Brazil, Chile, Colombia, Cote d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, Phillippines, Uruguay, Venezuela and Yugoslavia.

Table XI-28 : EXTERNAL DEBT AND DEBT SERVICE OF DEVELOPING COUNTRIES

	1989	1990	1991
1.	2	3	4
External Debt			
(in billions of dollars)			
All Developing Countries	1,206.5	1,281.4	1,361.8
Africa	207.7	224.1	227.6
Asia	337.6	370.7	415.6
Middle East and Europe	251.4	262.5	275.8
Western Hemisphere	409.8	424.1	442.8
Sub-Saharan Africa	99.1	113.2	119.1
15 Heavily Indebted Countries	476.7	492.9	512.4
External Debt to Exports of Goods and Services (in per cent)			
All Developing Countries	132.8	125.6	126.5
Africa	236.7	221.3	230.5
Asia	70.4	69.1	68.4
Middle East and Europe	135.4	122.7	134.2
Western Hemisphere	262.6	251.8	269.2
Sub-Saharan Africa	310.0	331.0	352.1
15 Heavily Indebted Countries	256.9	240.2	261.8
External Debt to GDP (in percent)			
All Developing Countries	32.9	31.5	32.4
Africa	63.1	59.3	58.9
Asia	22.3	23.6	25.7
Middle East and Europe	28.6	24.7	23.2
Western Hemisphere	43.3	40.1	43.8
Sub-Saharan Africa	78.0	75.0	70.6
15 Heavily Indebted Countries	45.3	40.7	42.7
Debt Service Ratio (in per cent)			
All Developing Countries	16.1	14.2	14.5
Africa	25.4	24.4	25.9
Asia	10.1	8.5	8.1
Middle East and Europe	15.5	13.7	13.6
Western Hemisphere	29.9	26.6	32.6
Sub-Saharan Africa	20.8	19.7	19.8
15 Heavily Indebted Countries	29.8	25.8	31.3

Source : World Economic Outlook, International Monetary Fund, October 1992.

external debt to GDP for developing countries (excluding Eastern Europe and the former USSR), which had already declined substantially from 38.6 per cent in 1986 to 31.5 per cent in 1990, rose marginally to 32.4 per cent in 1991. Regionwise, Africa continued to register the highest ratio at 58.9 per cent albeit lower than the 59.3 per cent recorded in 1990. During the same period, the ratio changed from 40.1 per cent to 43.8 per cent in case of Western Hemisphere, from 23.6 per cent to 25.7 per cent for Asia and from 24.7 per cent to 23.2 per cent for the Middle East and Europe. The ratio for the sub-Saharan African countries improved for the second year in succession to 70.6 per cent from 75.0 per cent in 1990. In the fifteen heavily indebted countries, the debt-GDP ratio increased marginally from 40.7 per cent in 1990 to 42.7 per cent in 1991.

Debt-export ratio declined by about 52.7 percentage points since 1986 to 125.5 per cent in 1990 and thereafter marginally rose to 126.5 per cent in 1991. There was, however, a deterioration in debt-export ratio among different groups of countries other than those viz., in Asia, Africa, Middle East and Europe and the Western Hemisphere. In the fifteen heavily indebted countries debt-export ratio increased by about 21.6 percentage points to 261.8 per cent in 1991 reflecting an increasing stock of debt and a growth rate of 3.3 per cent in export volume as compared with the average of 7.2 per cent during 1987-90. The ratio deteriorated by 21.1 percentage points in sub-Saharan African countries rising to 352.1 per cent in 1991.

Pronounced reductions in debt-service ratios registered since 1986 for the developing countries as a group seemed to halt in 1991 at 14.5 per cent, marginally higher than the level of 14.2 per cent in 1990. Across regions too, this ratio deteriorated in Africa and the Western Hemisphere. The debt-service ratio, which had declined for the group of 15 heavily indebted countries (several of which have benefited from the Brady initiative) from 45.3 per cent in 1986 to 25.8 per cent in 1990, increased to 31.3 per cent in 1991. The ratio in sub-Saharan Africa remained nearly at the 1990 level of 19.7 per cent in 1991. In fact, this region has shown no substantial improvement since 1986 due to severe economic problems and unsatisfactory performance in terms of reform efforts in a number of countries.

European Economic and Monetary Union

At the Maastricht Summit held in December 1991, the European Community reached an agreement on new treaties creating a European Political Union and an Economic and Monetary Union (EMU). The treaty which was signed in February 1992, envisaged a three-stage approach to the EMU. It reflected the framework outlined in the Delors Report of 1989 and adopted by the Inter-Governmental Conference on EMU held in Rome in December 1990. Under stage one of the EMU, the implementation of which started on July 1, 1990, the objective has been to work towards development of closer monetary co-operation among the twelve member countries,the unrestricted use of the European Currency Unit by businesses and individuals and the inclusion in the Exchange Rate Mechanism (ERM) of the currencies which at that time were still outside it - Pound Sterling, the Greek drachma and the Portuguese escudo.

Stage two of the EMU defined as a period of transition would begin on January 1, 1994. It involves the establishment of the European Monetary Institute (EMI), which would function to strengthen cooperation between national central banks and coordination of monetary policies. It would monitor the European monetary system and facilitate the use of the ECU, including the functioning of the ECU clearing system. The convergence of economic policies in this stage is expected to lead to a narrowing of currency fluctuations among member countries inside the ERM and eventually a 'lock on exchange rates' at the time of entry into the final stage of EMU.

Stage three of the EMU, which is scheduled to take place at the latest by 1999, involves the replacement of multiplicity of national monetary policy decision making institutions with a single one, irrevocable fixing of exchange rates and replacement of national currencies by a single currency. A European System of Central Banks (ESCB) comprising the European Central Bank and the national central banks would be set up before the final stage begins.

The ESCB would define and implement Community Monetary Policy; conduct foreign exchange operations; hold and manage official foreign reserves of member states; and promote the smooth operation of payment systems. The ESCB would be independent and not take instructions from EC institutions, governments or any other body.

Asian Development Bank

During 1991, the Asian Development Bank (ADB) committed a total of US $ 5,012 million in loans and investments for both public and private sectors - a rise of 25 per cent over 1990. This comprised government and government-guaranteed loans including credit lines routed through financial intermediaries of US $ 4,797 million, and US $ 215 million in private sector operations which included direct loans without government guarantee of US $ 187 million and equity investments of US $ 28 million. Loans from ordinary capital resources (OCR) rose by 46 per cent over 1990 to US $ 3,637 million, out of the total public and private sector lending volume of US $ 4,984 million, and the balance of US $ 1,347 million (a decrease of 9 per cent) came from the concessional Asian Development Fund (Table XI -29) The loans were in the form of project loans (US $ 3,249 million), sector loans (US $ 663 million), programme loans (US $ 435 million), credit lines (US $ 450 million) and unguaranteed private sector loans (US $ 187 million). The sectoral details of lending indicate that energy sector accounted for the largest share of US $ 1,763.5 million, or 35 per cent of the total lending, followed by agriculture and agro-industry (US $ 1,035 million or 20.8 per cent), transport and communications (US $ 772.5 million or 15.5 per cent), social infrastructure (US $ 659.5 million or 13 per cent), industry and non-fuel minerals (US $378 million or 7.6 per cent) and financial sector (US $ 375 million or 7.5 per cent). The technical assistance grants approved during 1991 amounted to US $ 105 million, a rise of 11.7 per cent over 1990, from a total technical assistance of US $370 million. There was also a rise in the amount of co-financing from US $ 1,257 million in 1990 to US $1,465 million in 1991. However, the Bank's own lending to the co-financed projects amounted to US $1,639 million, a decrease of 19 per cent over 1990.

Loan disbursements in 1991 amounted to US $3,104 million showing a rise of 13 per cent over those in 1990. These comprised OCR disbursements of US $ 2,066 million (up 22 per cent from 1990) and ADF disbursements of US $ 1,038 million. The rise in the rate of loan disbursements reflected the impact of speedier policy implementation and policy reforms by the developing member countries (DMCs).

The net transfer of resources from the Bank to DMCs rose to US $ 1,634 million in 1991 as against US $ 1,471 million in 1990, the highest increase (11 per cent) since 1967. However, the relative share of the Bank to total net transfers to DMCs from all sources stood at almost the same level of 13.2 per cent as in 1990. In 1991, India, Pakistan, Bangladesh, Indonesia, People's Republic of China and Sri Lanka accounted for 96 per cent of the Bank's net transfer of resources.

Authorised capital of the Bank amounted to US $ 24.2 billion (SDR 16.9 billion) at the end of December 1991 and subscribed capital stood at US $ 23.1 billion (SDR 16.2 billion). The Bank borrows from the international capital markets to supplement its resources for lending from ordinary capital resources amounting to US $ 1,298 million during 1991.

The ADB management introduced a Strategic Planning Unit in July 1991, to maximize the effectiveness of the Bank's resources by establishing a close relationship between resource allocation and strategic goals and priorities.

The replenishment of the Asian Development Fund and the Technical Assistance Special Fund (ADF VI), which was agreed upon for an amount of $ 4.2 billion, has become effective from September 1, 1992. The replenishment is designed to finance the Bank's concessional lending programme during 1992-1995. The ADF, the soft-loan window of the ADB, provides interest-free loans to the Bank's poorer developing member countries with an extended repayment period (35 or 40 years) and a nominal service charge of 1 per cent. Out of the total replenishment of $ 4.2 billion, a sum of $ 140 million was allocated to the Bank's Technical Assistance

Table XI - 29 : Lending Activities of Asian Development Bank

(Amount in US $ million)

1	2	3	4
	1990	1991	1966-1991
Total lending -			
Amount	3972.2	4,983.7	37,552.5
Number of Projects	57	76	1039*
OCR Loans -			
Amount	2491.7	3,636.5	25,143.2
Number of loans	27	44	607
Disbursements	1,689.1	2,066.2	12,844.0
ADF loans -			
Amount	1,480.5	1,347.2	12,409.3
Percentage to total	(32.27)	(27.03)	(33.05)
Number of loans	36	33	537
Disbursements	1,062.6	1,037.4	6,603.1
Equity Investments -			
Amount	32.7	28.0	168.2
Number of Investments	16	7	57

* A Project financed from both OCR and ADF is counted only once. Cumulative number of projects excludes supplementary loans.

Special Fund (TASF), meant primarily for project-related and regional technical assistance. The TASF finances activities which help developing member countries improve their ability to formulate and implement development projects and programmes.

With the joining of Mongolia, Turkey and Republic of Nauru, the membership of ADB increased to 52 by December 1991.

World Bank Group

During fiscal (July-June) 1992, the World Bank's lending policies continued to be guided by the objectives of poverty reduction, sustainable growth and protection of environment. The policy emphasis has been on greater reliance on markets and a strong but more limited role for government with more emphasis on the policy framework and on environmental and social responsibilities. In fiscal 1992, the principles for a restructuring of the Global Environment Facility (GEF) set up in 1990, were laid down. The principles provide for the goal of universal membership in the GEF, broader and more equitable representation, and greater transparency and accountability in the facility's operations. It was also decided to extend the operations of the Debt Reduction Facility for IDA-only countries, a mechanism established in 1990 to ease the burden of commercial external debt owed by the poorest developing countries.

With the approval of resolutions providing for membership of all the fifteen of the Soviet Union's former republics, the World Bank moved closer to the realisation of the objective of a global institution that would function towards the promotion of economic development of the unified family of nations. During fiscal 1992, five countries, viz., Albania, Estonia, Marshall Islands, the Russian Federation and Switzerland became members of the IBRD, bringing its membership to 160. The IBRD's membership is expected to increase to 173 with the joining of Latvia, Lithuania, and eleven other republics of the former Soviet Union. Bank membership applications submitted by Bosnia-Herzegovina, Croatia and Slovenia are also under consideration. In fiscal 1992, three countries, viz., Albania, Switzerland and the Russian Federation became members of IDA, bringing the total membership in the Association to 142.

The Executive Board of the World Bank approved special funding programme for the fifteen republics of the former Soviet Union to help in their transition to market-oriented economies.

During fiscal 1992, total commitments by the World Bank at US $ 21.7 billion registered a decline of 4.3 per cent as compared with an increase of 9.6 per cent in fiscal 1991. The decline was attributable to a lower lending commitments of the IBRD at $ 15.2 billion than $ 16.4 billion in fiscal 1991. The reduction in the IBRD lending was due to shortfalls in commitments in South Asia, Europe and Central Asia, and Middle East and North Africa regions. IDA lending commitments, on the other hand, increased by $ 256 million to $ 6.6 billion in fiscal 1992. Disbursements by the World Bank increased by $ 451 million to $ 16.4 billion in fiscal 1992 attributable to a rise in disbursements of both IBRD ($ 235 million) and IDA ($ 216 million) (Table XI-30)

During fiscal 1992, assistance by the World Bank to the poorest countries (with a per capita gross national product of $ 610 or less) amounted to $ 9.9 billion as compared with $ 10.3 billion in fiscal 1991. Of the total World Bank commitments of $ 21.7 billion in fiscal 1992, $ 5.8 billion or 27 per cent was in the form of sector-adjustment and structural adjustment loans.

International Bank for Reconstruction and Development (IBRD)

Commitments of the IBRD declined by $ 1.2 billion or 7.5 per cent to $ 15.2 billion in fiscal 1992, with the numbers of operations approved also being lower at 112 than 126 in fiscal 1991. In fiscal 1992, five countries, viz., China, Indonesia, Mexico, India and Peru secured total commitments in amounts exceeding or equal to $ 1 billion each and together accounted for $ 6.8 billion or 45 per cent of the total amount approved for all the projects. Indonesia received the highest loan commitment of $ 1.59 billion, followed by China ($ 1.58 billion), Mexico ($ 1.49 billion), India ($1.17 billion) and Peru ($ 1.00 billion). In fiscal 1992, India accounted for 7.7 per cent of the total IBRD loan commitments as against 6.8 per cent in fiscal 1991. The projects for which the IBRD loans were approved for India are indicated in (Table XI-31.)

For fiscal 1992, borrowing programme of the IBRD was set at $ 10.0 - $ 11.0 billion equivalent and this was followed by a small supplemental budget to support work in the former Soviet republics before they became members of the Bank. The indicative IBRD lending target for fiscal 1993 has been set between $ 18.5 billion and $ 21.5 billion, with an indicative IDA lending programme of SDR 5.0 billion.

During fiscal 1992, total medium-term and long-term borrowings of the IBRD were in eleven currencies and currency units, amounting to $ 11.8 billion. All of the borrowings in fiscal 1992, except for $ 3.2 billion of currency swaps and a notional par volume of $ 3.7 billion of interest-rate swaps, were fixed-rate liabilities denominated in U.S. dollar, Japanese yen, deutsche mark and Swiss franc. The average maturity of the funding was 7.3 years and the after-swap cost, 6.69 per cent. The total medium-term and long-term funding outstanding amounted to $ 91.7 billion or 94 per cent of the total outstanding debt at the end of fiscal 1992. The average maturity of total medium-term and long-term borrowings outstanding was 6.4 years, with an average cost, after swaps, of 7.10 per cent. The short-term borrowings out-

Table XI-30: Lending by World Bank Fiscal 1991 and 1992

(US $ million)

		IBRD		IDA		World Bank	
		1991	1992	1991	1992	1991	1992
	1	2	3	4	5	6	7
1.	Lending commitments @	16,392	15,156	6,293	6,550	22,685	21,706
		(+8.0)	(-7.5)	(+14.0)	(+4.1)	(+9.6)	(-4.3)
2.	Disbursements @	11,431	11,666	4,549	4,765	15,980	16,431
		(-17.5)	(+2.1)	(+18.3)	(+4.7)	(-9.7)	(+2.8)

Figures in brackets indicate percentage variation over the previous year.
@ Excludes loans to IFC.

standing at the end of June 30, 1992 amounted to the equivalent of $ 5.4 billion with the average cost of 3.75 per cent compared with 6.12 per cent at the end of fiscal 1991.

During fiscal 1992, the reserve position of IBRD improved further to $ 11.2 billion due to an addition of $ 250 million of net income of the IBRD in fiscal 1991 to the general reserves and also an allocation of an additional $ 200 million to allow for a waiver for all payment periods, beginning July 1, 1991, of twenty-five basis points on the interest rate charged to those borrowers that have serviced all their loans from the IBRD in a timely manner. The reserves-to-loan ratio increased to 11.5 per cent at the end of fiscal 1992 as against 11.2 per cent at the end of fiscal 1991.

The IBRD reduced its commitment fee on undisbursed balances from seventy-five to twenty-five basis points in fiscal 1992. During the year, the IBRD decided to encourage borrowers to make timely loan payments by providing a waiver of twenty-five basis points of the fifty basis point spread included in the semester interest rate on loans to borrowers that had made all loan-service payments within thirty days of their due date. This policy decision helped to bring about an improvement in the timeliness of payments. At the end of fiscal 1992, 70 per cent of all the IBRD's borrowers were eligible for the interest-spread waiver.

The IBRD's semi-annual variable lending rate was 7.73 per cent for the first and second semesters of fiscal 1992. The variable lending rate applicable to loans for which invitations to negotiate were sent before May 18, 1989, and not converted by borrowers to the new system stood at 7.71 per cent and 7.72 per cent, for the first and second semesters of fiscal 1992, respectively.

Total subscribed capital of the IBRD at the end of fiscal 1992 totalled $ 152.2 billion, accounting for 83 per cent of authorised capital of $ 184.05 billion. During fiscal 1992, twenty-two countries subscribed an aggregate of $ 8.1 billion to the General Capital Increase (GCI) of $ 74.8 billion approved in April 1988. The total subscription till the end of fiscal 1992 amounted to $ 51 billion or 65 per cent of the total GCI allocations, including additional GCI shares allocated to new members that joined after April 1988. In order to accommodate fifteen republics of the former Soviet Union, an approval for increase in authorised capital by 77,159 shares ($ 9.3 billion) was given in April 1992.

International Development Association (IDA)

During fiscal 1992, lending commitments of IDA

Table XI-31: IBRD's Assistance to India - Sector-wise, fiscal years 1990-1992

(in millions of US dollars)

Sector	1990	1991	1992
1	2	3	4
Agriculture and Rural Development	15.0	63.0	-
Education	25.0	-	-
Oil, gas and coal	-	450.00	150.00
Power	583.0	200.0	615.0
Industry	445.0	369.0	-
Population, Health and Nutrition	10.0	10.0	-
Highways	-	-	153.0
Urban development	20.0	20.0	-
Water supply and sewerage	10.0	-	-
Others	-	-	250.0
Total	1108.0	1112.0	1168.0
Total loans sanctioned by IBRD	15180.0	16392.2	15156.0
Percentage share of India	7.3	6.8	7.7

at $ 6.6 billion showed a rise of $ 256 million or 4.1 per cent as compared with an increase of $ 771 million or 14.0 per cent in fiscal 1991. Disbursements from IDA which had increased by 18.3 per cent in fiscal 1991 showed a rise of 4.7 per cent to $ 4.8 billion in fiscal 1992. During fiscal 1992, IDA approved 110 credits as against 103 credit approvals granted a year earlier. In its lending programme, the IDA has focused on priority areas of poverty reduction, macro-economic and sectoral adjustment and protection of the enviroment of the 50 countries for which IDA credits were approved in the fiscal year 1992, India's share turned out to be the highest at $ 1.02 billion or 15.6 per cent, closely followed by China, $ 0.95 billion or 14.5 per cent. The IDA Executive Board approved the recommitment of SDR 477 million of cancellations of IDA credits to India in December 1991. Of this, SDR 184 million was recommitted in fiscal 1992 and the balance is scheduled to be recommitted in fiscal 1993. The projects for which IDA credits were sanctioned during fiscal 1990 to fiscal 1992 are shown in Table XI-32.

IDA's commitment fee was set at zero per cent from fiscal 1989 through fiscal 1992 and it continues to remain at zero per cent for fiscal 1993. During fiscal 1992, IDA improved its financial position by achieving a cumulative surplus of $ 1,259 million as against $ 543 million at the end of fiscal 1991.

Negotiations on a tenth replenishment of IDA's resources (IDA-10) began in January 1992 against the back-drop of its role in supporting economic growth and poverty reduction, its role in developmental aid, examination of IDA's allocation criteria and measures to supplement IDA's donor resources.

International Finance Corporation (IFC)

The International Finance Corporation (IFC) continued to work towards the objective of promoting private enterprise in its developing member countries. In fiscal 1992, the IFC approved financing for its own account (loans, guarantees, equity and quasi-equity investments) of $ 1.8 billion for 167 projects compared with $ 1.5 billion for 152 projects in fiscal 1991. In order to help companies in developing countries to reduce their reliance on debt financing, the share of equity and quasi-equity investments was increased to 21 per cent of the total financing approved for IFC's own account in fiscal 1992. The approvals granted for mobilisation of financing through loan syndications and the underwriting of securities issues and investments aggregated $ 1.4 billion in fiscal 1992. Projects approved by the IFC had total investment costs of $ 12 billion implying that other investors and lenders provided a total of six dollars for every dollar approved by the IFC.

In fiscal 1992, net income earned was $ 180 million, representing a return of 7.5 per cent on the Corporation's net worth. The Corporation borrowed $ 664 million in the international markets in fiscal 1992 as against $ 590 million a year earlier.

Table XI-32: IDA's Assistance to India - Sector-wise, fiscal years 1990-1992

(in million of US $)

Sector	1990	1991	1992
1	2	3	4
Agriculture and Rural Development	150.0	392.8	243.0
Education	235.0	307.1	-
Population, Health and Nutrition	182.5	96.0	377.5
Transportation - Highways	-	-	153.0
Area Development	130.0	-	-
Industry	55.0	31.6	-
Water supply and Sewerage	79.9	109.9	-
Others	-	-	250.0
Total	832.4	937.4	1023.5
Total credits sanctioned by IDA	5522.0	6293.3	6549.7
Percentage share of India	15.1	14.5	15.6

With the joining of Albania, Bulgaria, Equatorial Guinea, the Laos People's Democratic Republic and Switzerland, in fiscal 1992, the number of member countries increased to 146. Out of the fifteen former Soviet Republics, fourteen had applied for membership by end-June 1992.

The IFC's Board approved on May 4, 1992, an increase of $ 1 billion, in its capital, to $ 2.3 billion, to enable it to increase new investment approvals in all regions by 10 per cent a year (which would increase to 12-15 per cent with the accession to membership of the former Soviet republics) until 1998, bringing annual approvals to about $ 4 billion by the end of the decade.

Multilateral Investment Guarantee Agency (MIGA)

MIGA, established in 1988, offers investment insurance and provides promotional and advisory services aimed at encouraging the flow of foreign direct investment to, and among, developing member countries. It provides protection to investors against losses arising from the non-commercial risks of currency transfer, expropriation, war and civil disturbance.

During fiscal 1992, MIGA issued twenty-one guarantees (against eleven in fiscal 1991) with a maximum contingent liability of $ 313 million, representing a total of $ 1.0 billion in direct investment. In its project insurance scheme, MIGA is guided by the objective of supporting the environmental and developmental objectives of the World Bank Group.

As part of its promotional and advisory role, MIGA organised investment-promotion conferences, executive developmental programmes, foreign investment policy round tables and provided specialised advisory assistance to governments. During fiscal 1992, the Foreign Investment Advisory Service, jointly operated by MIGA and the IFC, worked in thirty-two countries and completed twenty-four advisory projects.

With the signing of MIGA convention by fifteen additional countries, the number of signatories to MIGA increased to 115 at the end of fiscal 1992. India signed the MIGA convention in fiscal 1992. The number of full members increased to eighty-five in fiscal 1992.

East European Countries and Republics of the former Soviet Union

Developments in Eastern Europe*

The decline in output that started in 1989 worsened during 1991 to 13.7 per cent in the whole of the region, particularly in Bulgaria, Albania and the erstwhile Yugoslavia, reflecting, among other factors, a sharp deterioration in the region's terms of trade following the move to adopt world prices for inter-regional trade, the collapse of trade among the former members of the now defunct Council for Mutual Economic Assistance (CMEA), the breakdown of the old command system, the lack of progress in important areas of structural reform, social unrest in Albania and civil war in the erstwhile Yugoslavia, and cautious or tight financial policies necessary during the early stage of reform and stabilisation. These economies have embarked on major structural reforms to replace central planning with market mechanisms, both in the allocation of factors of production and in the production and distribution of goods and services.

Throughout the region, the reform process has led to substantial changes in the structure and level of prices. Inflation, as measured by consumer prices, for the whole of Eastern Europe was down to 134.9 per cent in 1991 (from 142.2 per cent in 1990). Reforms in several countries are in the process of replacing the administrative system of prices.

Despite efforts to consolidate government budgets, the deep recession in 1991 led to a widening of fiscal deficits to 4.4 per cent of GDP in 1991 from 1.9 per cent of GDP in 1990 as tax revenue fell sharply.

The entire region felt the impact of the decline in intra-regional trade which resulted from political

* The countries included are Albania, Bulgaria, the erstwhile Czechoslovakia, Hungary, Poland, Romania and the erstwhile Yugoslavia.

upheaval and payment difficulties in the former USSR and the breakdown of CMEA trading arrangements. The sharp deterioration in terms of trade and collapse of exports to the former USSR were the main reasons for the widening of the combined current account deficit of Eastern Europe from $ 1.4 billion in 1990 to $ 6.4 billion in 1991. However, the deficit was considerably smaller than envisaged at the beginning of 1991 due largely to the severe compression of imports.

The Eastern European countries have adopted a variety of exchange rate regimes ranging from a free float, as in Bulgaria, to fixed but adjustable peg to a basket of currencies, as in Poland. All Eastern European countries have moved quickly towards current account convertibility (Poland in 1990 and other countries in 1991) as a major step forward in integrating these economies into the international economic system.

The rise in combined current account deficit resulted in an increase of 13.9 per cent during 1991 to $ 166.8 billion in the total external debt of Eastern Europe.

Developments in the Republics of the former Soviet Union

Following a moderate drop in 1990, output in Russia and the other republics of the former USSR declined markedly in 1991 by 9.0 per cent as a result of widespread disruptions in supply associated with the breakdown of the command system and a sharp drop in inter-republic trade. Lower oil production and generally weak agricultural output contributed to the decline. Inflation measured in terms of consumer prices, increased substantially by 89 per cent in 1991. Retail prices in Russia surged further with the liberalisation of price policies in the first six months of 1992 by 875 per cent.

The decline in exports and substantial debt service payments required large cutbacks in imports in 1991. As a result, the combined current account deficit of the former USSR declined sharply from about $ 21.0 billion in 1990 to an estimated $ 3.3 billion in 1991. By the end of 1991, Russia and most of the other republics had concluded bilateral trade agreements for 1992.

The G-7 in their eighteenth annual economic summit at Munich between July 6-8, 1992 urged strong IMF supported policies in the states of former USSR. They endorsed the agreement reached between the IMF and the Russian Federation. The IMF has already approved a first credit tranche of $ 1.04 billion. This forms a part of the $ 24 billion support package announced in April 1992 of which $ 6 billion is earmarked for the stabilisation of rouble.

VIII. Developments relating to Exchange Control

General permission to FERA companies :

With a view to improving the climate for foreign investment in India and keeping in view the various liberalisation measures announced by Government of India, restrictions imposed on FERA companies (i.e. companies incorporated in India in which the non-resident interest is more than 40%) under Sections 26(7), 28, 29 and 31 of FERA 1973 have all been removed as indicated below thereby placing them on par with other Indian companies in regard to their operations in India :

FERA companies are now permitted

(a) to borrow money or accept deposits from persons resident in India;

(b) to accept appointment as agent or technical or management advisers in India of any person or company;

(c) to allow their trade marks to be used by any person or company;

(d) to carry on in India any activity of a trading, commercial or industrial nature except agricultural and plantation activity;

(e) to acquire any undertaking in India carrying on any trade, commerce or industry or purchase the shares of any such company;

(f) to acquire, hold, transfer or dispose of by sale, mortgage, lease, gift, settlement or other-wise any immovable property in India.

Liberalised Exchange Rate Management System (LERMS):

Effective from 1st March 1992, the Liberalised Exchange Rate Management System (LERMS) has been introduced with the objective of making the rupee convertible in a phased manner for all external transactions in the current account.

(a) All receipts under current account transaction including invisible receipts are required to be surrendered to authorised dealers at official rate and market rate in the proportion of 40:60.

(b) The RBI will buy 40 per cent of the current account receipts at the official rate of exchange.

(c) The authorised dealers would be free to retain the remaining 60 per cent of foreign exchange and sell it at the market rate for all authorised and approved transactions to those who need to import goods and services or undertake travel abroad.

(d) The foreign exchange received by the RBI at official exchange rate is meant exclusively to cover Government needs and to import essential commodities.

(e) The Bank has been authorised to buy from and sell to any authorised person either US dollar or pound sterling. Since the major part of the country's external trade is conducted in US dollar, the Bank has decided to opt for US dollar as intervention currency in place of pound sterling. Accordingly, Reserve Bank will be buying spot only US dollar from authorised dealers and selling US dollar spot for approved purposes at the official rate. No forward sale in any currency will be made by the Reserve Bank of India to authorised dealers.

(f) The exchange rates for capital transactions will, however, be at the market rate.

(g) **Export Oriented Unit and Units in EPZs/ FTZs** : 100 per cent Export Oriented Units (EOUs) and units in Export Processing Zones (EPZs) and Free Trade Zones (FTZs) are to meet their requirements for imports at markets rates and are permitted to convert their entire export earnings in convertible currencies at market rate.

(h) **Transactions with Asian Clearing Union (ACU) Countries** : The compulsion of routing transactions with countries belonging to Asian Clearing Union (other than Nepal), through ACU mechanism has been withdrawn for the time being, pending discussion with the member countries in regard to bringing the arrangement in alignment with the LERMS. Thus in cases where the transactions with ACU countries, expressed in permitted currencies are settled outside the ACU mechanism, the provisions of the LERMS would apply.

Exchange Earners' Foreign Currency Accounts

Under LERMS, all exporters of goods and services and other recipients of inward remittances in convertible currencies are allowed to retain upto 15% of the receipts in Foreign Currency accounts styled "Exchange Earners' Foreign Currency (EEFC) Accounts" with banks in India.

Delegation of powers to Authorised Dealers :

With the introduction of Liberalised Exchange Rate Management System (LERMS), Authorised Dealers have been permitted to release exchange without reference to Reserve Bank for various purposes subject to specified guidelines.

Opening of foreign currency accounts by Indian exporters with banks in India or abroad : It has been decided to selectively permit exporters having satisfactory track record and net foreign exchange earnings during the preceding year from exports to and imports from countries in the External Group of not less than Rs.4 crores to maintain foreign currency accounts with designated branches of State Bank of India.

Opening of Resident Foreign Currency (RFC) Accounts with ADs in India by Returning Indians : The existing 'Returning Indians Foreign Exchange Entitlement (RIFEE) Scheme' has been replaced by a new scheme entitled 'Resident Foreign Currency (RFC) Accounts'. Under the new scheme, returning Indian who were resident in the External Group countries are hereafter permitted to open and main-

tain RFC Accounts in US dollars, with designated branches of ADs in India to which they are permitted to credit the entire (i.e. 100%) balances standing to the credit of their foreign currency accounts held abroad in permitted currencies which are to be transferred to India within three months from the date of their arrival in India. The scheme has been amended and now Returning Indian are permitted to open and maintain RFC accounts in any permitted currency instead of only in US dollar.

Import of Gold by NRIs : General permissions has been granted to persons of Indian nationality or origin to bring into India as part of their baggage, gold in any form upto 5000 gms. (i.e. 5 kg.) provided duty payable on such gold under the Customs Act, 1962 is paid in any convertible foreign currency. While in the case of non-residents the general permission is available once in six months, in the case of others the general permission is available provided their stay outside India immediately preceding their coming to India has not been less than six months.

The Remittances in Foreign Exchange (Immunities) Scheme, 1991 : Government of India had enacted "The Remittances of Foreign Exchange and Investment in Foreign Exchange Bonds (Immunities and Exemptions) Act, 1991" which provided for immunity to persons receiving remittances in foreign exchange and also granted certain exemptions from direct tax laws in relation to such remittances received by persons resident in India. The scheme came into effect from 18th September 1991.

Wholly owned subsidiaries/joint ventures by Indian companies : During the period 1st July 1991 to 30th April 1992 approvals for 39 joint ventures and 11 wholly owned subsidiaries were accorded.

Foreign Exchange Conservation (Travel) Tax

The Foreign Exchange Conservation (Travel) Tax which was introduced in 1987 has been abolished w.e.f. 1st June 1992. Accordingly, Authorised Dealers and authorised full-fledged money-changers have been advised not to collect the said tax from the travellers on foreign exchange sold to them on or after 1.6.1992.

Non-resident (Non-repatriable) Rupee Deposit Scheme

With a view to providing further incentives and giving wider options to persons of Indian nationality/origin residing abroad (NRIs) and overseas corporate bodies predominantly owned by NRIs (OCBs) as well as giving opportunities to persons of non-Indian origin and overseas corporate bodies owned by them for making investments in India, Reserve Bank has formulated a new Deposit Scheme viz. Non-resident (non-repatriable) Rupee Deposit Scheme effective from 15th June 1992. Authorised dealers are free to fix the maturity period of such deposits between six months and thre years. They are also free to fix the rate of interest payable on such deposits.

Foreign Currency (Ordinary Non-repatriable) Deposit Scheme

With a view to making the Foreign Currency (Ordinary-Non-repatriable) Deposit Scheme more attractive to the persons of Indian nationality/ origin residing abroad (NRIs) and Overseas Corporate Bodies predominantly owned by NRIs (OCBs), the following amendments have been made in the Scheme. These amendments are applicable to deposits accepted by authorised dealers on or after 15th June 1992.

(i) **Period of Deposit**

The period for which deposits can be accepted by authorised dealers under the Scheme has been reduced from 5 years to 3 years.

(ii) **Rate of Interest**

Interest would be computed in US dollar at half yearly intervals at the rate of two per cent (as against the existing one per cent) above the applicable rate for FCNR dollar deposits for 3 years ruling on the date of deposit.

(iii) **Renewal of the Deposit**

Authorised Dealers can renew the deposit after

maturity for a further period of three years, if so desired by the depositor.

Acceptance of foreign currency deposits from authorised dealers by Reserve Bank of India

Authorised Dealers have been advised that the interest payable on US dollar deposits with Reserve Bank for maturities beyond 1 month will be the London Interbank Offered Rates(LIBOR) for the corresponding maturities. Earlier, interest payable on US dollar deposits for periods of one month and above was equal to one month's LIBOR prevailing on the day before the date of the Transaction.

FCNR Swap Scheme

Deposits under the Foreign Currency (Non-resident) Deposit Scheme (FCNR) can be accepted in four currencies viz. Pound sterling, U.S. dollar, Deutsche mark and Japanese yen. It has now been decided that, in case a customer with any other convertible currency desires to place a deposit under the scheme, there will be no objection to authorised dealers undertaking a fully covered swapin that currency against one of the FCNR currencies with a NRI depositor. This will enable a depositor with a non-FCNR currency to participate in the FCNR Scheme. There is also no objection to such a swap being done between two FCNR currencies. However, the transaction between the authorised dealer and the Reserve Bank will be only in one of the four FCNR currencies and will be put through in the normal course under the FCNR Scheme.

International Credit Cards

With the introduction of the Liberalised Exchange Rate Management System (LERMS), the blanket/CAFEX permit schemes have been withdrawn and Reserve Bank has delegated powers to authorised dealers for release of foreign exchange for travel abroad for various purposes, without reference to Reserve Bank, subject to certain limits and conditions advised to them from time to time. The existing regulations in regard to use of ICCs for business visits have, therefore, been reviewed and it has been decided to permit authorised dealers to allow persons undertaking foreign travel for business visits, participation in international conferences/seminars, study tours/training of short duration (not more than a month) and medical treatment to use ICCs for meeting legitimate expenses connected with their travel subject to certain terms and conditions.

Opening of offices and stationing of representatives abroad by Indian companies

During the period 1st July 1991 to 30th June 1992, approval for 140 Indian companies for opening of offices and stationing of representatives abroad were accorded.

Opening of Liaison etc. offices in India

During the period 1st July 1991 to 30th June 1992 approval for opening 102 liaison offices were granted to foreign companies under Section 29 of FERA, 1973.

CHAPTER XII

Some Major Developments in States and Union Territories

This Chapter attempts to present an analytical view of the developments in the States and Union Territories (UTs) based on the recent official data on some of the important economic aspects.

State Domestic Product

The latest data on net State Domestic Product (SDP) relate to the year 1989-90. The SDP data are at factor cost and in most cases, they are available at constant (1980-81) prices. Annual growth rates in SDP of States and UTs together with those on net domestic product at factor cost (NDP) at 1980-81 prices for All-India for the period 1984-85 — 1989-90, are given in Table XII-1. The compound annual growth rate during this period was 5.6 per cent for all-India (NDP). In the case of States/UTs which reported data for 1989-90, the lowest and the highest compound annual growth rates during the same period were 1.8 per cent (Bihar) and 7.6 per cent (Haryana). Data in respect of Andhra Pradesh, Jammu & Kashmir, Nagaland, Rajasthan, Sikkim, West Bengal and Union Territory of Delhi are not available.

During 1989-90, barring States like Bihar and Manipur which recorded negative growth rates, the other States/UTs had registered positive growth rates. The growth rates in some States were much higher than the all-India NDP growth rate of 5.1 per cent. These were : Assam (8.2 per cent), Himachal Pradesh (24.1 per cent), Kerala (5.5 per cent), Maharashtra (10.0 per cent), Orissa (6.1 per cent), Punjab (9.3 per cent) and Tripura (7.5 per cent). Obviously, the State with growth rates lower than that of all-India were more in number in 1989-90.

Growth Performance of States/ Union Territories vis-a-vis All India—1989-90

States with growth rates equal to/higher than the all-India rate	States with growth rates lower than the all-India rate
1	2
1. Assam	1. Bihar
2. Himachal Pradesh	2. Goa
3. Kerala	3. Gujarat
4. Maharashtra	4. Haryana
5. Orissa	5. Karnataka
6. Punjab	6. Madhya Pradesh
7. Tripura	7. Manipur
	8. Meghalaya
	9. Uttar Pradesh

Notes : 1. Data are not available in the case of Andhra Pradesh, Jammu & Kashmir, Nagaland, Rajasthan, Sikkim and West Bengal.
2. The growth rate of Madhya Pradesh is based on data at 1970-71 prices.

Source : Estimates of State Domestic Product and Capital Formation — 1991, CSO.

The States/UTs in different size-class categories of annual growth rates during the period 1984-85 through 1989-90 are listed below:

Compound Annual Growth Rates — 1984-85 to 1989-90 : States/Union Territories*

Compound Annual Growth rate, size-class	No. of States/UTs	States/UTs
1	2	3
1. Less than 2 per cent	1	Bihar
2. Between 2 per cent and 3 per cent	1	Karnataka
3. Between 3 per cent and 4 per cent	3	Kerala, Manipur, Pondicherry

1	2	3
4. Between 4 per cent and 5 per cent	5	Assam, Goa, Gujarat Meghalaya, Uttar Pradesh
5. Between 5 per cent and 6 per cent	1	Tripura
6. Above 6 per cent	7	Arunachal Pradesh, Haryana, Himachal Pradesh, Punjab, Maharashtra, Orissa, Andaman & Nicobar Islands

* Only those States with SDP data at 1980-81 prices for the entire period are considered.

Note : The data for Madhya Pradesh are at 1970-71 prices and hence not considered. If it is taken into account it would fall in the size class "Between 5 per cent and 6 per cent."

Source : Estimates of State Domestic Product and Capital Formation, 1991, CSO.

It may be seen from the above Table that only one State recorded compound annual growth rate of less than 2 per cent, and 4 States recorded compound annual growth rates ranging between 2 per cent and 4 per cent. The growth rate ranges between 4 per cent and 6 per cent in the case of 6 States while as many as 7 States registered compound growth rates of over 6 per cent per annum.

Sectoral Growth

Sectoral growth rates during 1988-89 and 1989-90 are furnished in Table XII-2. Agricultural output declined in Assam, Tamil Nadu and Andaman & Nicobar Islands during 1988-89. In 1989-90 fall in output was witnessed in the case of Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh, Manipur, Tamil Nadu, Uttar Pradesh, Andaman & Nicobar Islands and Pondicherry. At the all-India level, while agricultural output increased considerably by 18.6 per cent in 1988-89, the growth rate dropped to only 2.6 per cent in 1989-90.

Both during 1988-89 and 1989-90, 'forestry and logging' registered fall in output in many States/UTs. Output in respect of 'fishing' after declining in 1988-89, improved in 1989-90. In 1989-90, the highest growth rate in 'fishing' was recorded by Arunachal Pradesh at 36.3 per cent, followed by Gujarat (26.9 per cent) and Goa (26.6 per cent). In 1988-89, high growth rates of 41.7 per cent, 38.5 per cent and 21.4 per cent were recorded by Kerala, Haryana and Arunachal Pradesh, respectively. Output in 'fishing' sector at the all-India level showed growth rates of 6.8 per cent and 13.1 per cent in 1988-89 and 1989-90, respectively. In the remaining sectors viz, 'Mining and Quarrying' and 'Manufacturing;' barring very few States which registered negative growth rates, the other States either made moderate gains or recorded decline in both the years. Growth rates in respect of 'Mining and Quarrying' and 'Manufacturing' at all-India level declined from 5.0 per cent and 8.6 per cent to 3.2 per cent and 7.2 per cent, respectively.

The sector-wise compound annual growth rates during the period 1984-85 through 1989-90, are furnished in Table XII-3. Data in respect of 5 States viz. Andhra Pradesh, Jammu & Kashmir, Nagaland, Rajasthan and West Bengal have, however, been computed only for the period 1984-85 to 1988-89. Decline in growth rates in respect of agricultural output was recorded by Bihar, Gujarat, Manipur, Nagaland, Tamil Nadu and the Union Territory of Pondicherry. Growth rates of less than 4 per cent were registered in Andhra Pradesh, Assam, Goa, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh (computed on the basis of data at 1970-71 prices), Meghalaya, Tripura, Uttar Pradesh, Andaman & Nicobar Islands and also at all-India level. In the case of 'Forestry and Logging' most of the States registered decline in output over the period. Compound growth rates of over 5 per cent per annum were registered under 'fishing' in Bihar, Goa, Gujarat, Haryana, Himachal Pradesh, Madhya Pradesh (at 1970-71 prices), Manipur, Nagaland, Orissa, Punjab, Tripura, Uttar Pradesh, West Bengal and Andaman & Nicober Islands as against growth rate of 4.4 per cent at the all-India level. 'Mining and Quarrying' sector in Arunachal Pradesh, Goa, Karnataka and Rajasthan registered fall in output while Assam, Kerala, Uttar Pradesh and West Bengal posted moderate compound annual growth rates of less than 4 per cent as against compound annual growth rate of 4.5 per cent at the all-India level. In the case of 'Manufacturing' sector, as against compound annual growth rate of 6.8 per cent at the all-India

Table XII-1 : ANNUAL GROWTH RATES AND COMPOUND GROWTH RATES OF NET STATE DOMESTIC PRODUCT AT CONSTANT (1980-81) PRICES

(Per cent)

Sr. No.	States/Union Territories	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	Compound Growth Rates	Average Growth Rates
1	2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh	−2.7	5.1	−4.1	6.6	12.6	N.A.	4.9 *	3.5
2.	Arunachal Pradesh	8.9	11.9	6.7	5.0	7.1	–	6.1	7.9
3.	Assam	12.1	4.0	1.6	5.5	2.0	8.2	4.8	5.6
4.	Bihar	6.9	2.9	7.9	−5.9	8.7	−3.8	1.8	2.8
5.	Goa	14.8	−2.2	8.4	6.5	4.9	4.6	4.4	6.1
6.	Gujarat	0.3	−9.1	7.5	−8.6	37.9	1.5	4.5	4.9
7.	Haryana	3.9	14.9	0..1	−2.1	24.2	3.1	7.6	7.3
8.	Himachal Pradesh	−5.7	13.3	7.1	−0.9	−3.9	24.1	7.5	5.6
9.	Jammu &Kashmir	7.0	5.1	4.2	−13.4	16.9	N.A.	2.9 *	3.9
10.	Karnataka	7.8	−3.9	9.4	5.1	−1.7	3.6	2.5	3.4
11.	Kerala	6.2	9.3	−2.6	2.6	7.9	5.5	3.4	4.8
12.	Madhya Pradesh @	−4.1	8.0	−3.0	14.9	8.7	0.1	5.6	4.1
13.	Maharashtra	2.1	7.3	−0.6	8.2	9.2	10.0	6.7	6.0
14.	Manipur	4.6	6.8	−0.4	6.7	5.6	−0.3	3.6	3.8
15.	Meghalaya	10.8	4.4	1.9	8.7	5.1	3.2	4.6	5.7
16.	Nagaland	10.2	6.2	6.4	10.9	9.4	N.A.	8.2 *	8.6
17.	Orissa	−8.0	16.9	−0.6	−1.4	14.9	6.1	7.0	4.6
18.	Punjab	7.9	7.1	4.0	5.0	5.6	9.3	6.2	6.5
19.	Rajasthan	−7.2	−0.4	2.3	−4.4	33.7	N.A.	6.9 *	4.8
20.	Sikkim	13.1	13.0	14.1	21.3	N.A.	N.A.	16.1 †	15.3
21.	Tamil Nadu	13.2	4.0	−0.9	3.2	7.4	Neg.	2.7	4.5
22.	Tripura	2.7	1.6	5.1	7.6	6.2	7.5	5.6	5.1
23.	Uttar Pradesh	1.6	3.9	4.8	3.7	9.1	3.3	4.6	4.4
24.	West Bengal	0.8	6.7	4.7	6.1	7.5	N.A.	6.2 *	5.2
25.	Andaman & Nicobar Islands	−3.4	12.5	4.8	6.1	11.4	1.3	7.4	5.5
26.	Delhi	1.5	18.8	13.5	6.2	N.A.	N.A.	12.7†	10.0
27.	Pondicherry	5.1	4.3	6.9	4.7	0.8	2.0	3.7	3.9
	ALL INDIA	**3.5**	**3.9**	**3.7**	**4.4**	**11.0**	**5.1**	**5.6**	**5.3**

@ : At 1970-71 prices
* : Between 1984-85 and 1988-89
† : Between 1984-85 and 1987-88
N.A. : Not available
Source : Estimates of State Domestic Product and Capital Formation, 1991, C.S.O., Department of Statistics, Ministry of Planning, Government of India.

Table XII-2 : SECTORAL GROWTH RATES, 1988-89 AND 1989-90

(Per cent)

Sr. No.	States/Union Territories	Agriculture		Forestry and Logging		Fishing		Mining and Quarrying		Manufacturing	
		1988-89	1989-90	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5	6	7	8	9	10	11	12
1.	Andhra Pradesh	19.8	N.A.	−0.2	N.A.	−11.0	N.A.	10.0	N.A.	6.0	N.A.
2.	Arunachal Pradesh	4.7	8.3	47.2	−22.9	21.4	36.3	−14.2	9.8	4.7	4.8
3.	Assam	−7.7	16.4	26.6	−0.1	−2.1	2.3	4.1	6.2	22.1	10.1
4.	Bihar	15.0	−16.4	0.4	0.4	−1.6	4.3	5.4	2.1	4.9	6.5
5.	Goa	7.2	11.1	−73.1	144.8	31.1	26.6	−5.8	1.3	–	–
6.	Gujarat	265.3	−12.1	−86.2	840.0	−19.0	26.9	37.3	18.4	9.1	7.6
7	Haryana	28.3	−1.6	−34.8	2.8	38.5	11.1	21.2	11.7	8.2	12.3
8.	Himachal Pradesh	6.3	28.9	22.8	–	–	8.3	7.2	7.2	3.7	0.3
9.	Jammu & Kashmir	25.1	N.A.	40.7	N.A.	0.9	N.A.	1.4	N.A.	−36.4	N.A.
10.	Karnataka	9.4	−0.3	−15.4	−4.9	9.8	19.7	5.2	−3.8	17.0	6.7
11.	Kerala	14.8	5.0	−44.8	10.1	41.7	−5.6	11.0	11.1	5.9	6.7
12.	Madhya Pradesh *	8.0	−8.6	3.8	−17.7	16.2	7.0	10.2	13.6	7.6	5.8
13.	Maharashtra	5.3	16.0	5.1	39.7	17.2	7.4	7.1	5.0	12.8	9.2
14.	Manipur	2.0	−6.7	–	–	6.0	−0.2	–	–	8.7	8.4
15.	Meghalaya	1.9	1.8	88.5	−25.1	−3.9	−4.1	25.2	8.8	2.3	2.2
16.	Nagaland	1.6	N.A.	11.5	N.A.	16.5	N.A.	–	N.A.	6.2	N.A.
17.	Orissa	22.9	4.7	−15.2	79.8	7.5	20.8	8.3	−12.3	−3.3	−3.1
18.	Punjab	3.7	11.4	−2.8	−34.4	9.8	14.0	28.6	24.4	28.5	10.1
19.	Rajasthan	76.3	N.A.	5.5	N.A.	−60.3	N.A.	7.4	N.A.	8.1	N.A.
20.	Tamil Nadu	−9.1	−6.5	30.5	−1.6	3.3	1.4	−0.1	2.3	15.4	−3.8
21.	Tripura	1.3	2.7	31.4	50.0	12.0	9.9	–	–	9.5	5.4
22.	Uttar Pradesh	9.8	−0.8	−3.3	−21.9	9.0	3.2	9.0	5.5	7.7	2.3
23.	West Bengal	10.7	N.A.	4.5	N.A.	3.9	N.A.	7.0	N.A.	6.0	N.A.
24.	Andaman & Nicobar Islands	−7.3	−2.5	408.4	−6.2	−8.9	2.2	−80.0	−6.3	−11.0	9.9
25.	Pondicherry	7.0	−8.5	–	–	1.7	−7.5	–	–	–	3.0
26.	**ALL INDIA**	**18.6**	**2.6**	**—1.3**	**—0.2**	**6.8**	**13.1**	**5.0**	**3.2**	**8.6**	**7.2**

* : Computed on the basis of data at 1970-71 prices.

Note : Computed on the basis of data of SDP at constant (1980-81) prices.

Source : Estimates of State Domestic Product and Gross Fixed Capital Formation, 1991, CSO, Department of Statistics, Ministry of Planning, Government of India,

N.A. : Not available

Table XII-3 : COMPOUND ANNUAL GROWTH RATES, MAJOR SECTOR-WISE [PERIOD 1984-85 TO 1989-90 BASED ON DATA AT CONSTANT (1980-81) PRICES]

(Per cent)

States/Union Territories		Agriculture	Forestry & Logging	Fishing	Mining & Quarrying	Manufac-turing	SDP
	1	2	3	4	5	6	7
1.	Andhra Pradesh *	3.8	−6.0	−0.1	5.7	4.5	4.9
2.	Arunachal Pradesh	11.4	−2.6	1.2	−15.0	5.0	6.1
3.	Assam	3.3	2.2	2.2	2.9	7.3	4.8
4	Bihar	−3.5	−0.2	6.9	4.9	4.9	1.8
5.	Goa	2.5	−24.3	8.8	-4.0	−0.6	4.4
6	Gujarat	−2.9	−42.1	5.2	5.2	51.9	4.5
7.	Haryana	5.7	1.0	13.4	11.4	10.6	7.6
8.	Himachal Pradesh	7.7	1.9	10.5	15.6	5.8	7.5
9.	Jammu & Kashmir *	2.4	−15.1	3.3	27.1	−9.5	2.9
10.	Karnataka	1.8	−10.2	3.9	−2.3	8.0	4.8
11.	Kerala	4.5	−16.9	−1.9	3.7	2.3	4.5
12.	Madhya Pradesh @	1.8	−6.5	9.7	9.0	5.7	5.6
13.	Maharashtra	4.8	−3.1	2.8	7.7	8.7	6.7
14.	Manipur	−1.0	−8.2	19.0	–	8.4	3.2
15.	Meghalaya	1.5	21.8	1.3	6.5	9.8	4.7
16.	Nagaland *	−2.1	7.9	9.1	–	−4.9	8.2
17.	Orissa	5.3	12.1	12.7	5.6	7.6	7.0
18.	Punjab	5.6	−14.7	14.5	29.1	10.8	6.2
19.	Rajasthan *	7.4	2.0	−34.7	-0.8	5.2	6.9
20.	Tamil Nadu	−4.1	2.9	−2.9	6.2	1.1	2.7
21.	Tripura	2.6	12.8	9.0	–	2.1	5.6
22.	Uttar Pradesh	2.7	−4.4	12.4	2.9	6.4	4.8
23.	West Bengal *	7.8	−12.4	6.1	2.9	7.3	6.2
24.	Andaman & Nicobar Islands	1.2	27.1	11.2	14.4	7.3	7.6
25.	Pondicherry	−0.4	–	2.2	–	8.8	3.7
26.	**ALL INDIA**	**3.8**	**—1.6**	**4.4**	**4.5**	**6.8**	**5.8**

* : Computed for the period 1984-85 to 1988-89.
@ : Computed on the basis of data at 1970-71 prices.
Note : Computed on the basis of data of SDP at constant (1980-81) prices.
Source : Estimates of State Domestic Product and Capital Formation, 1991, CSO, Department of Statistics, Government of India.

level, less than 4 per cent compound annual growth rates were witnessed in Kerala, Tamil Nadu and Tripura while growth rates higher than 4 per cent were recorded in the remaining States other than Goa, Jammu & Kashmir and Nagaland where output declined.

Shares of Agriculture and Manufacturing

The output from 'agriculture' provides an important source of income in most States/UTs (Table XII-4). Over 40 per cent of real SDP emanated from 'agriculture' in as many as 8 States *viz.* Arunachal Pradesh, Bihar, Haryana, Orissa, Punjab, Rajasthan, Tripura and Uttar Pradesh and the Union Territory of Andaman and Nicobar Islands, during the five years ended 1989-90.*

States whose income from 'agriculture' was in the range of 30-40 per cent of real SDP were : Andhra Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Manipur, Meghalaya and West Bengal. In regard to income from 'Manufacturing,' its share in SDP was less than 10 per cent in only a limited number of States *viz.* Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Orissa and Tripura. More than 25 per cent of their States' income came from 'Manufacturing' sector in respect of Goa, Gujarat, Maharashtra and Tamil Nadu as compared with 19.5 per cent at the all-India level.

State-wise shares in all-India NDP

The details of State-wise share in all-India NDP at constant (1980-81) prices are given in Table XII-5. It may be observed that through the period 1984-85 to 1989-90, the shares of most of the States in all-India NDP have remained more or less constant. Among the States/UTs, Maharashtra had the highest share in 1989-90, (13.6 per cent) followed by Uttar Pradesh (11.7 per cent), West Bengal (7.0 per cent), Gujarat (5.9 per cent), Tamil Nadu (5.8 per cent) and Karnataka (5.2 per cent). The States with percentage share between 2 and 5 per cent were : Assam, Bihar, Haryana, Kerala, Madhya Pradesh, Orissa, Punjab and Rajasthan. The remaining States had percentage share of less than 2 per cent.

Agricultural Production

Data on production of selected foodgrains in respect of States/Union Territories are available upto 1990-91 i. e., a year beyond the available SDP data and these are presented in Statement 18 of Volume II of this Report.

These data show that foodgrains output in 1990-91 had gone up over the level of 1988-89 in all the States except Andhra Pradesh, Gujarat, Jammu and Kashmir, Karnataka, Manipur, Orissa and West Bengal. The rise in foodgrains output was reflected mainly under cereals.

In the case of pulses, output in 1990-91 was higher than that in 1988-89 at the all-India level only by 1.6 per cent. But as pulses production declined sharply by 7.2 per cent in 1989-90, the recorded production in 1990-91 was higher over the previous year by 9.4 per cent. In 1990-91, barring Assam, Maharashtra, Orissa, Sikkim and Tamil Nadu, all the other States either recorded increases in output or maintained the earlier year's production levels.

State-wise data on production of selected non-food grains are given in Statement 19 of Volume II of this Report. Among the States which are major producers of oilseeds[@], most of them recorded a spurt in output in 1990-91. However, leading States like Gujarat, Karnataka and Tamil Nadu witnessed a decline in output. In the case of cotton, all the major producing States[†] with the exception of Andhra Pradesh registered a deceleration in output in 1990-91 compared with the good performance in the preceding year. In respect of sugarcane, all the major sugarcane producing States, excepting Assam, Karnataka and Punjab recorded increases in output in 1990-91. In 1989-90, Assam, Madhya

* The ratios presented in table 4 are based on the sector-wise data at constant (1980-81) prices for five years beginning 1985-86. Average real incomes for the selected 5 year period were computed for deriving the selected ratios.

@ The States are identified on the basis of the annual average output of a minimum of 1 million tonne a year during the five-year period ending 1990-91.

† These States are identified on the basis of the mean output level of more than 500 thousand bales (of 170 kgs. each) per year during the period 1986-87 to 1990-91.

The States are identified on the basis of the annual average output of a minimum of 1 million tonnes a year during the five-year period ending 1990-91.

Table XII-4 : SHARE OF REAL OUTPUT FROM AGRICULTURE AND MANUFACTURING TO SDP

(Per cent)

States/Union Territories		Agriculture / SDP	Manufacturing / SDP
	1	2	3
1.	Andhra Pradesh	39.0	12.3
2.	Arunachal Pradesh	41.6	2.1
3.	Assam	39.4	12.7
4.	Bihar	43.0	11.6
5.	Goa	13.2	29.2
6.	Gujarat	22.2	29.3
7.	Haryana	46.3	18.1
8.	Himachal Pradesh	35.5	7.2
9.	Jammu & Kashmir	38.4	9.2
10.	Karnataka	37.0	20.0
11.	Kerala	34.6	13.9
12.	Madhya Pradesh *	38.9	12.8
13.	Maharashtra	19.7	27.8
14.	Manipur	34.9	5.6
15.	Meghalaya	32.4	3.5
16.	Nagaland	20.2	2.1
17.	Orissa	46.1	8.3
18.	Punjab	48.9	15.4
19.	Rajasthan	46.2	12.5
20.	Tamil Nadu	22.7	25.6
21.	Tripura	43.2	4.7
22.	Uttar Pradesh	44.5	14.0
23.	West Bengal	31.2	23.9
24.	Andaman & Nicobar Islands	43.9	11.6
25.	Pondicherry	8.2	21.9
26.	**ALL INDIA**	**32.0**	**19.5**

* : Computation based on data provided at 1970-71 prices.

Note : 1. Computed by taking the ratios from agriculture and from manufacturing to mean SDP for each State for 5 years, 1985-86 to 1989-90 except of Andhra Pradesh, Jammu & Kashmir, Nagaland, Rajasthan and West Bengal where the computation is based for 4 years due to non-availability of data for 1989-90.

2. The data are at constant (1980-81) prices.

Source : C.S.O.

Table XII-5 : STATE-WISE PERCENTAGE SHARES IN ALL-INDIA NDP AT CONSTANT (1980-81) PRICES

(Per cent)

States/Union Territories		1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
	1	2	3	4	5	6	7
1.	Andhra Pradesh	6.4	6.5	6.0	6.1	6.2	N.A.
2.	Arunachal Pradesh	0.1	0.1	0.1	0.1	0.1	0.1
3.	Assam	2.3	2.3	2.3	2.3	2.1	2.2
4.	Bihar	5.6	5.5	5.7	5.2	5.1	4.6
5.	Goa	0.3	0.3	0.3	0.3	0.3	0.3
6.	Gujarat	6.3	5.5	5.6	5.0	6.2	5.9
7.	Haryana	2.6	2.9	2.8	2.6	2.9	2.9
8.	Himachal Pradesh	0.5	0.6	0.6	0.6	0.6	0.6
9.	Jammu & Kashmir	0.8	0.9	0.9	0.7	0.8	N.A.
10.	Karnataka	5.5	5.1	5.3	5.4	5.3	5.2
11.	Kerala	2.9	2.9	2.7	2.7	2.6	2.6
12.	Madhya Pradesh *	2.4	2.5	2.3	2.4	2.5	2.4
13.	Maharashtra	12.9	13.4	12.8	13.3	13.1	13.6
14.	Manipur	0.2	0.2	0.2	0.2	0.2	0.2
15.	Meghalaya	0.2	0.2	0.2	0.2	0.2	0.2
16.	Nagaland	0.1	0.1	0.1	0.1	0.1	N.A.
17.	Orissa	2.5	2.8	2.7	2.6	2.7	2.7
18.	Punjab	4.0	4.2	4.2	4.2	4.0	4.1
19.	Rajasthan	3.9	3.7	3.6	3.3	4.0	3.8
20.	Sikkim	0.1	0.1	0.1	0.1	N.A.	N.A.
21.	Tamil Nadu	6.7	6.7	6.4	6.5	6.1	5.8
22.	Tripura	0.2	0.2	0.2	0.2	0.2	0.2
23.	Uttar Pradesh	12.2	12.2	12.3	12.2	12.0	11.7
24.	West Bengal	7.2	7.4	7.5	7.6	7.4	7.0
25.	Andaman & Nicobar Islands	0.1	0.1	0.1	0.1	0.1	0.1
26.	Delhi	1.9	2.3	2.4	2.5	N.A	N.A.
27.	Pondicherry	0.2	0.2	0.2	0.2	0.2	0.1
28.	**ALL INDIA**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* : Data are at constant (1970-71) prices.
N.A. : Not available.
Note : Owing to non-availibility of data in respect of Mizoram and also due to variation in the methodology in the estimation of State Domestic Product by States and CSO the total does not add up to 100.
Source : C.S.O.

Pradesh, Tamil Nadu and West Bengal registered decline in output among the major sugarcane producing States. In regard to raw jute and mesta, all the producing States recorded output increase in 1990-91, excepting Maharashtra and Rajasthan. During 1989-90 several States such as Bihar, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu, Tripura and Uttar Pradesh recorded decline in output over the preceding year.

Industrial Sector

The various aspects of industrialisation in the States/UTs are captured from the data given in the Annual Survey of Industries published by the Central Statistical Organisation. The latest Survey is available for the year 1987-88. Some of the indicators culled out from the Survey are given in Table XII-6 for two reference years viz., 1983-84 and 1987-88, thereby covering a period of five years.

One of the striking features was the concentration of registered factories only in a few States. The number of factories was the highest in Maharashtra in both the reference years. Andhra Pradesh had the second highest number of factories in 1987-88, followed by Tamil Nadu, Gujarat, Uttar Pradesh, Punjab, Karnataka and West Bengal. Together, factories in these eight States accounted for over 75 per cent of factories all over India in 1983-84 as well as in 1987-88. Meghalaya had the lowest number of factories in 1987-88. Over the period, 1983-84 through 1987-88, the number of factories declined in Assam, Bihar, Kerala, Meghalaya, Tripura, West Bengal and Union Territory of Delhi. The number of employees in factories in 6 of the 25 States/Union Territories, viz., Andhra Pradesh, Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal accounted for about 66 per cent and 64 per cent, respectively in 1983-84 and 1987-88 of total employees all over India. Although the number of employees in many States increased during 1987-88 compared to 1983-84 level, the total number of employees at all-India level showed a marginal decline of 0.5 per cent. In terms of the value of fixed capital, the highest amount was recorded by Maharashtra in both the initial and terminal years under view. In 1983-84, the five States which followed Maharashtra in terms of the value of fixed capital, were Uttar Pradesh, Bihar, Gujarat, Madhya Pradesh and Tamil Nadu. In 1987-88, there was some change in the order of the top six States. Maharashtra, was followed by Uttar Pradesh, Gujarat, Madhya Pradesh, Tamil Nadu and Bihar.

The top five States in terms of value of output both during 1983-84, and 1987-88 were Maharashtra, Gujarat, Tamil Nadu, West Bengal and Uttar Pradesh. During the period 1983-84 to 1987-88, the value of output increased in all the States except Meghalaya where it declined by 35 per cent; output increased by 74.9 per cent at the all-India level. Both in 1983-84 and 1987-88, the net value added was the highest in Maharashtra. Next in order came Gujarat, Tamil Nadu, West Bengal and Bihar in 1983-84 and Gujarat, Tamil Nadu, Uttar Pradesh and West Bengal in 1987-88.

Some of the structural and technical ratios based on the important indicators of the industrial sector are presented in Table XII-7. Gross output per employee, which may be regarded as a very rough measure of labour-output relationship, rose in all the States/UTs over the period. Fixed capital per employee, a proxy measure of non-inventory investment to labour ratio, had also shown a rise over the five-year period in all the States/UTs other than Meghalaya and Delhi. The ratio of fixed capital to output remained constant over the period in Maharashtra, Manipur, and Chandigarh, increased in Assam, Gujarat, Orissa, Tamil Nadu, Tripura, West Bengal and Pondicherry and moved downward in the remaining States/UTs. Productivity as measured by net value added to output declined in almost all States/UTs, except in Uttar Pradesh and West Bengal and remained constant in Manipur and Goa, Daman and Diu. Fixed capital to net value added ratio remained constant in Manipur and moved up in majority of States/UTs. It declined in Kerala, Meghalaya, Punjab, Uttar Pradesh, West Bengal, Andaman and Nicobar Islands, Delhi and Goa, Daman, and Diu.

The Annual Survey of Industries also provides information about the share of seven most important industry-groups in the total value of gross output in ten major States. The seven industry-

Table XII-6 : SOME INDICATORS OF INDUSTRIAL SECTOR

(Value in Rs. crore)

States/Union Territories		No. of Factories		No. of Employees		Fixed Capital		Value of Output		Net Value Added	
		1983-84	1987-88	1983-84	1987-88	1983-84	1987-88	1983-84	1987-88	1983-84	1987-88
	1	2	3	4	5	6	7	8	9	10	11
1.	Andhra Pradesh	11,837	14,101	7,29,686	7,12,862	2,887	4,514	5,686	9,137	1,302	1,245
2.	Assam	1,736	1,598	1,19,380	1,02,722	312	630	992	1,928	249	464
3.	Bihar	3,904	3,487	3,60,931	3,86,635	4,828	5,967	5,832	8,103	1,600	1,909
4.	Gujarat	10,494	10,655	7,76,179	6,71,685	4,721	7,727	11,583	16,395	2,338	2,859
5.	Haryana	2,745	2,775	2,25,280	2,36,716	1,464	2,338	3,124	5,383	745	806
6.	Himachal Pradesh	207	227	28,294	4,600	500	940	301	645	172	166
7.	Jammu & Kashmir	371	378	34,282	44,715	167	404	179	462	34	69
8.	Karnataka	5,602	5,734	3,92,762	3,87,979	1,949	3,085	4,101	6,564	1,132	1,343
9.	Kerala	3,097	3,056	2,50,980	2,46,155	1,237	1,820	2,370	4,173	520	867
10.	Madhya Pradesh	3,235	3,417	3,57,314	3,75,389	4,162	6,908	4,157	8,006	1,027	1,563
11.	Maharashtra	14,546	15,163	12,57,458	12,21,285	7,752	12,178	20,920	32,831	4,399	6,245
12.	Manipur	44	45	962	853	1	1	2	2	1	1
13.	Meghalaya	34	30	6,292	1,859	85	12	26	17	11	4
14.	Orissa	1,485	1,584	1,38,912	1,61,655	1,280	3,789	1,394	2,926	304	473
15.	Punjab	5,380	6,100	2,75,421	3,81,244	2,229	3,873	3,682	7,698	545	1,023
16.	Rajasthan	2,712	2,930	2,26,353	2,34,363	2,079	3,215	2,589	4,356	634	700
17.	Tamil Nadu	11,918	13,193	8,13,102	8,85,826	3,368	6,523	9,236	16,349	1,818	2,821
18.	Tripura	304	258	14,853	15,707	11	24	21	41	7	10
19.	Uttar Pradesh	7,539	8,631	7,24,527	7,52,642	5,371	8,586	7,012	13,666	1,218	2,576
20.	West Bengal	5635	5,329	8,94,910	7,34,634	3,337	5,075	7,613	11,087	1,629	2,524
21.	Andaman & Nicobar Islands	29	52	5,472	6,318	6	9	20	34	7	11
22.	Chandigarh	243	258	11,273	11,252	20	25	134	162	48	28
23.	Delhi	3,240	3,190	1,52,374	1,34,225	634	551	1,943	3,240	330	497
24.	Goa, Daman and Diu	197	229	15,536	15,796	166	180	305	558	43	80
25.	Pondicherry	164	176	11,376	18,463	40	101	89	211	26	48
26.	**ALL INDIA**	**96,706**	**1,02,596**	**78,24,121**	**77,85,580**	**48,606**	**78,475**	**88,023**	**1,53,973**	**20,137**	**28,334**

Source : Annual Survey of Industries, C.S.O., Government of India.

Table XII-7 : SELECTED RATIOS RELATING TO THE INDUSTRIAL SECTOR

States/Union Territories	Gross Output per Employee *		Fixed Capital per Employee *		Fixed Capital to Output		Net Value Added to Output		Fixed Capital to Net Value Added	
	1983-84	1987-88	1983-84	1987-88	1983-84	1987-88	1983-84	1987-88	1983-84	1987-88
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	0.78	1.28	0.40	0.63	0.51	0.49	0.23	0.14	2.22	3.63
2. Assam	0.83	1.88	0.26	0.61	0.31	0.33	0.25	0.24	1.25	1.36
3. Bihar	1.62	2.10	1.34	1.54	0.83	0.74	0.27	0.24	3.02	3.13
4. Gujarat	1.49	2.44	0.61	1.15	0.41	0.47	0.20	0.17	2.02	2.70
5. Haryana	1.39	2.27	0.65	0.99	0.47	0.43	0.24	0.15	1.97	2.90
6. Himachal Pradesh	1.06	1.45	1.77	2.11	1.66	1.46	0.57	0.26	2.91	5.66
7. Jammu & Kashmir	0.52	1.03	0.49	0.90	0.93	0.87	0.19	0.15	4.91	5.86
8. Karnataka	1.04	1.69	0.50	0.80	0.48	0.47	0.28	0.20	1.72	2.30
9. Kerala	0.94	1.70	0.49	0.74	0.52	0.44	0.22	0.21	2.38	2.10
10. Madhya Pradesh	1.16	2.13	1.16	1.84	1.00	0.86	0.25	0.20	4.05	4.42
11. Maharashtra	1.66	2.69	0.62	1.00	0.37	0.37	0.21	0.19	1.76	1.95
12. Manipur	0.21	0.23	0.10	0.12	0.50	0.50	0.50	0.50	1.00	1.00
13. Meghalaya	0.41	0.91	1.35	0.65	3.27	0.71	0.42	0.24	7.73	3.00
14. Orissa	1.00	1.81	0.92	2.34	0.92	1.29	0.22	0.16	4.21	8.01
15. Punjab	1.34	2.02	0.81	1.02	0.61	0.50	0.15	0.13	4.09	3.79
16. Rajasthan	1.14	1.86	0.92	1.37	0.80	0.74	0.24	0.16	3.28	4.59
17. Tamil Nadu	1.14	1.85	0.41	0.74	0.36	0.40	0.20	0.17	1.85	2.31
18. Tripura	0.14	0.26	0.07	0.15	0.52	0.59	0.33	0.24	1.57	2.40
19. Uttar Pradesh	0.97	1.82	0.74	1.14	0.77	0.63	0.17	0.19	4.41	3.33
20. West Bengal	0.85	1.51	0.37	0.69	0.44	0.46	0.21	0.23	2.05	2.01
21. Andaman & Nicobar Islands	0.37	0.54	0.11	0.14	0.30	0.26	0.35	0.32	0.86	0.82
22. Chandigarh	1.19	1.44	0.18	0.22	0.15	0.15	0.36	0.17	0.42	0.89
23. Delhi	1.28	2.41	0.42	0.41	0.33	0.17	0.17	0.15	1.92	1.11
24. Goa, Daman & Diu	1.96	3.53	1.07	1.14	0.54	0.32	0.14	0.14	3.86	2.25
25. Pondicherry	0.78	1.14	0.35	0.55	0.45	0.48	0.29	0.23	1.54	2.10
26. ALL INDIA	**1.13**	**1.98**	**0.62**	**1.01**	**0.55**	**0.51**	**0.23**	**0.18**	**2.41**	**2.77**

* : In Rs. Lakhs.

Source : Computed on the basis of the data presented in the Annual Surveys of Industries, C.S.O., Government of India.

groups together accounted for a minimum of 70 per cent and a maximum of 91 per cent of the total industrial output in the selected States in the reference years, 1983-84 and 1987-88. Some of the industry-groups which had more than 10 per cent share in the value of the industrial output of the selected States are enumerated below:

Industry Groups with share of 10 per cent and above in industrial output

Sr. No.	Industry Group	States
1.	Food Products	Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh
2.	Chemical & Chemical Products	Gujarat, Maharashtra and Tamil Nadu
3.	Basic Metals and Alloys	Bihar, Madhya Pradesh, Punjab and West Bengal
4.	Rubber, Plastic, etc., Products	Andhra Pradesh, Bihar, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal
5.	Cotton Textiles	Tamil Nadu
6.	Electricity	Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal
7.	Electrical Machinery	Andhra Pradesh and Karnataka

Of the industry groups, 'Food Products' was the one which had considerable presence in most of the selected States. Next, in terms of the number of industry groups with shares above the threshold limit of 10 per cent, came 'chemicals and chemical products' (in Gujarat, Maharashtra annd Tamil Nadu) followed by 'Basic Metals and Alloys' and 'Rubber, Plastic, etc., Products'. 'Cotton textiles' groups was prominent only in Tamil Nadu, whereas 'Electricity' was prominent in Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal. 'Electrical Machinery' had a share above the threshold limit in Andhra Pradesh and Karnataka.

Banking Development

Latest data on selected banking indicators available for all the States/UTs relate to the period ended March 1992. The details of number of scheduled commercial bank offices, deposits, credit and credit-deposit ratios for two reference years viz., March 1987 and March 1992, based on BSR data, are given in Table XII-8. The five year period has been chosen to get a meaningful picture of the medium term trends in banking developments in the various regions and States and UTs. The table shows that while in all the regions the number of bank offices had gone up between the two reference years, the growth was impressive in North Eastern-Region (25.3 per cent) followed by Eastern (18.8 per cent) and Central (15.6 per cent). As on the last Friday of March 1987, the highest credit-deposit ratio was recorded by the Southern Region at 85.0 per cent, followed by 74.1 per cent by the Western Region. As on that date, the lowest credit-deposit ratio of 50.3 per cent was recorded by the Eastern Region as compared with 64.7 per cent at the all-India level. In 1992 (the last Friday of March) the lowest credit-deposit ratio was recorded by the North-Eastern Region at 44.4 per cent as against the all-India ratio of 61.0 per cent, while the Southern Region continued to record the highest ratio of 80.3 per cent. Between the two years under review, only the Northern Region improved its Credit-deposit ratio.

A better idea of the performance of the banking sector in these States/UTs can be had from the data on bank deposits and bank credit per office (Table XII-9). Bank deposits per office increased in all States/UTs. Over the period, the increase was more than 100 per cent in Arunachal Pradesh, Gujarat, Haryana, Kerala, Maharashtra, Nagaland, Rajasthan, Tamil Nadu, Chandigarh, Dadra and Nagar Haveli and Daman & Diu as against the all-India increase of 98.2 per cent. In regard to the remaining States excepting in Mizoram, Sikkim and Andman & Nicobar Islands where the increase was less than 50 per cent, the increases ranged between 50 and 100 per cent. The increase in per office bank Credit was more than 100 per cent during the period in Madhya Pradesh, Tamil Nadu, Daman & Diu and Delhi. Increase ranging between 50 and 100 per cent was recorded in Andhra Pradesh, Assam, Bihar, Goa, Gujarat, Haryana, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Manipur, Nagaland, Orissa, Punjab, Rajasthan, Tripura, Uttar Pradesh, West Bengal, Dadra & Nagar Haveli and Pondicherry. Only in Lakshadweep, there was a decline of 14.2 per cent.

In recent years banking habit has spread in a substantial way in rural areas. The share of rural

Table XII - 8 : STATE-WISE DISTRIBUTION OF THE NUMBER OF REPORTING OFFICES, AGGREGATE DEPOSITS AND GROSS BANK CREDIT OF ALL SCHEDULED COMMERCIAL BANKS

(Amount in lakhs of rupees)

States/Union Territories	As on the last Friday of March 1987				As on the last Friday of March 1992			
	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (Per cent)	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (Per cent)
1	2	3	4	5	6	7	8	9
I. Northern Region	**8,251**	**22480,44**	**12308,88**	**54.8**	**9,250**	**47603,18**	**28217,71**	**59.3**
Haryana	1,113	1904,20	1260,07	66.2	1,267	4342,48	2455,01	56.5
Himachal Pradesh	558	672,89	270,89	40.3	734	1590,86	530,11	33.3
Jammu & Kashmir	728	971,65	414,17	42.6	784	2011,94	864,32	43.0
Punjab	2,007	5391,18	2438,82	45.2	2,148	11063,84	4668,77	42.2
Rajasthan	2,687	2602,18	1742,38	67.0	3,057	6159,38	3426,26	55.6
Chandigarh	107	723,85	953,41	131.7	115	1590,84	1035,74	65.1
Delhi	1,051	10214,49	5229,13	51.2	1,145	20843,83	15237,50	73.1
II. North-Eastern Region	**1,483**	**1661,24**	**850,85**	**51.2**	**1,859**	**3729,20**	**1656,77**	**44.4**
Arunachal Pradesh	56	48,71	13,73	28.2	69	174,00	25,06	14.4
Assam	980	1135,47	628,06	55.3	1,217	2424,02	1190,64	49.1
Manipur	63	45,80	30,00	65.5	84	109,16	79,26	72.6
Meghalaya	132	158,31	46,23	29.2	167	382,33	77,12	20.2
Mizoram	50	56,40	11,74	20.8	74	106,54	23,10	21.7
Nagaland	66	97,54	42,35	43.4	70	226,90	88,89	39.2
Tripura	136	119,01	78,74	66.2	178	306,25	172,70	56.4
III. Eastern Region	**9,457**	**16904,42**	**8499,35**	**50.3**	**11,236**	**33966.69**	**17146,30**	**50.5**
Bihar	4,241	4771,25	1875,53	39.3	4,872	9959,63	3936,23	39.5
Orissa	1,739	1316,16	1112,80	84.5	2,092	3022,53	2182,67	72.2
Sikkim	19	57,05	16,22	28.4	29	104,52	28,42	27.2
West Bengal	3,444	10734,88	5485,29	51.1	4,218	20815,03	10977,93	52.7
Andaman & Nicobar Islands	14	25,08	9,51	37.9	25	64,97	21,05	32.4
IV. Central Region	**11,122**	**14170,29**	**7157,64**	**50.5**	**12,865**	**31030,94**	**15467,35**	**49.8**
Madhya Pradesh	3,768	3789,92	2334,91	61.6	4,365	8491,56	5411,15	63.7
Uttar Pradesh	7,354	10380,37	4822,73	46.5	8,500	22539,38	10056,21	44.6
V. Western Region	**8,293**	**26116,78**	**19351,19**	**74.1**	**9,292**	**68453,06**	**40947,67**	**59.8**
Goa	250	829,46	263,30	31.7	258	1660,02	512,48	30.9
Gujarat	3,094	6163,54	3528,78	57.3	3,394	13716,87	7345,19	53.5
Maharashtra	4,933	19092,68	15548,60	81.4	5,623	52987,07	33067,45	62.4
Dadra & Nagar Haveli	6	5,90	4,32	73.2	7	19,11	8,81	46.1
Daman & Diu	10	25,20	6,20	24.6	10	69,98	13,75	19.6
VI. Southern Region	**14,818**	**21779,32**	**18505,00**	**85.0**	**16,188**	**48302,63**	**38775,12**	**80.3**
Andhra Pradesh	4,146	5785,77	4686,92	81.0	4,642	12167,02	9816,21	80.7
Karnataka	3,940	5169,74	4622,66	89.4	4,300	11216,62	8793,19	78.4
Kerala	2,727	4169,74	2671,49	64.1	2,853	9386,43	4867,56	51.9
Tamil Nadu	3,937	6476,42	6432,72	99.3	4,316	15153,36	15121,06	99.8
Lakshadweep	5	3,89	1,07	27.5	8	11,52	1,47	12.8
Pondicherry	63	173,76	90,13	51.9	69	367,68	175,63	47.8
VII. All India	**53,424**	**103112,48**	**66672,91**	**64.7**	**60,690**	**233085,69**	**142210,93**	**61.0**

Note :- Data are inclusive of those relating to RRBs.

Source :- Banking Statistics - Quarterly Handouts, Reserve Bank of India.

Table XII. 9 - PER OFFICE BANK DEPOSITS AND CREDIT
(As on last Friday of March)

(Rs. crore)

States/Union Territories		Bank Deposits		Bank Credit	
		1987	1992	1987	1992
	1	2	3	4	5
1.	Andhra Pradesh	1.40	2.60	1.13	2.11
2.	Arunachal Pradesh	0.87	2.52	0.25	0.36
3.	Assam	1.16	1.99	0.64	0.98
4.	Bihar	1.13	2.04	0.44	0.81
5.	Goa	3.32	6.43	1.05	1.99
6.	Gujarat	1.99	4.04	1.14	2.16
7.	Haryana	1.71	3.43	1.13	1.94
8.	Himachal Pradesh	1.21	2.17	0.49	0.72
9.	Jammu & Kashmir	1.33	2.57	0.57	1.10
10.	Karnataka	1.31	2.61	1.17	2.04
11.	Kerala	1.53	3.29	0.98	1.71
12.	Madhya Pradesh	1.01	1.95	0.62	1.24
13.	Maharashtra	3.87	9.42	3.15	5.88
14.	Manipur	0.73	1.30	0.48	0.94
15.	Meghalaya	1.20	2.29	0.35	0.46
16.	Mizoram	1.13	1.44	0.23	0.31
17.	Nagaland	1.48	3.24	0.64	1.27
18.	Orissa	0.76	1.44	0.64	1.04
19.	Punjab	2.69	5.15	1.22	2.17
20.	Rajasthan	0.97	2.01	0.65	1.12
21.	Sikkim	3.00	3.60	0.85	0.98
22.	Tamil Nadu	1.65	3.51	1.63	3.50
23.	Tripura	0.88	1.72	0.58	0.97
24.	Uttar Pradesh	1.41	2.65	0.66	1.18
25.	West Bengal	3.12	4.93	1.59	2.60
26.	Andaman & Nicobar Islands	1.79	2.60	0.68	0.84
27.	Chandigarh	6.76	13.83	8.91	9.00
28.	Dadra & Nagar Haveli	0.98	2.73	0.72	1.26
29.	Daman and Diu	2.52	7.00	0.62	1.38
30.	Delhi	9.72	18.20	4.98	13.31
31.	Lakshadweep	0.78	1.44	0.21	0.18
32.	Pondicherry	2.76	5.33	1.43	2.55
	All - India	**1,93**	**3.84**	**1.25**	**2.34**

Source :- Computed from Quarterly Handouts, Banking Statistics, Reserve Bank of India.

offices in total number of scheduled commercial bank offices increased in most of the States except in Kerala and Union Territory of Delhi and Chandigarh (Table XII-10). These shares as on last Friday of March 1992 were relatively high in North-Eastern Region (74.0 per cent), Eastern Region (69.0 per cent) and Central Region (68.9 per cent). A similar trend was observed in respect of shares of deposits and credit relating to the rural branches in the total deposits and credit of scheduled commercial banks. The share of rural credit in total credit exceeded the relative shares of deposits with rural offices in North-Eastern, Eastern, Central and Southern Regions as on last Friday of March 1992. Table XII-11 indicates the performance of scheduled commercial banks in rural areas. The growth rates in rural offices in North-Eastern, Eastern and Central Regions were comparatively high. Reflecting this development, deposits with rural offices in these regions increased substantially. The highest growth rate in bank credit between the last Friday of March 1987 and 1992 was observed in Eastern Region followed by North-Eastern, Northern and Central Regions. Credit-deposit ratio of rural offices was the highest in the Southern region and the lowest in the Northern region in both the reference years.

Priority Sector Advances

The data on Statewise share of priority sector advances relating to scheduled commercial banks in total bank credit are presented in Table XII-12. It would be seen therefrom that most of the States and UTs had achieved the target of 40 per cent lending with the exception of Jammu and Kashmir, Chandigarh, Delhi, Sikkim, West Bengal, Maharashtra and Tamil Nadu as at the end of September 1990 for which the latest data are available. Haryana, Himachal Pradesh, Punjab, Rajasthan, Manipur, Meghalaya, Nagaland, Tripura, Arunachal Pradesh, Mizoram, Bihar, Orissa, Madhya Pradesh, Uttar Pradesh, Daman and Diu, Dadra & Nagar Haveli, and Pondicherry had touched a level of 50 per cent of lending to priority sectors.

Sectoral deployment of priority sector advances of scheduled commercial banks as at the end of September 1990 indicated that the share of agriculture and allied activities in the total advances was more than 40 per cent in States/UTs like Haryana, Punjab, Rajasthan, Chandigarh, Nagaland, Bihar, Madhya Pradesh, Andhra Pradesh, Tamil Nadu, Karnataka and Pondicherry, (Table XII-13). In States/UTs like Delhi, West Bengal, Gujarat, Maharashtra, Goa, Daman and Diu, Dadra and Nagar Haveli and Tamil Nadu, the share of advances to the small scale industries was more than 40 per cent as at end-September 1990. In smaller States/UTs such as Jammu and Kashmir, Assam, Manipur, Meghalaya, Tripura, Arunachal Pradesh, Mizoram and Andaman and Nicobar Islands, the services sector was important as more than 40 per cent of the advances were disbursed to this sector as at end-September 1990.

The annual growth rate of priority sector advances during the year ended September 1990 indicated that the growth rates in respect of advances for 'agriculture and allied activities' were over 20 per cent in Nagaland, Madhya Pradesh and Pondicherry whereas in Rajasthan, Delhi, Sikkim, Orissa and Karnataka negative growth rates were recorded. (Table XII-14). In Haryana, Himachal Pradesh, Jammu and Kashmir, Rajasthan, Delhi, Assam, Meghalaya, Tripura, Mizoram, Sikkim, Bihar, Orissa, West Bengal, Uttar Pradesh, Gujarat, Maharashtra, Goa, Andhra Pradesh, Karnataka and Tamil Nadu growth rates of the advances to the small scale industrial sector were higher than those in the case of agriculture and allied activities. The growth of services sector advances too was impressive in most States/UTs; it was 20 per cent or above in Arunachal Pradesh, Daman & Diu and Pondicherry.

Table XII-10 - SHARE OF RURAL TO TOTAL OFFICES, DEPOSITS AND CREDIT OF SCHEDULED COMMERCIAL BANKS
(As on last Friday of March)

(Per cent)

States/Union Territories	Rural/Total Offices		Rural/Total Deposits		Rural/Total Credit	
	1987	1992	1987	1992	1987	1992
1	2	3	4	5	6	7
I. Northern Region	**54.8**	**56.8**	**14.8**	**16.5**	**13.2**	**12.8**
Haryana	56.2	58.5	22.7	28.2	25.2	30.7
Himachal Pradesh	85.7	89.1	66.4	70.4	64.1	69.4
Jammu & Kashmir	72.0	72.3	29.1	31.1	19.8	17.0
Punjab	54.0	54.7	28.0	28.7	23.3	30.3
Rajasthan	64.1	66.5	19.6	21.5	24.9	25.4
Chandigarh	12.1	10.4	2.1	2.2	1.4	1.1
Delhi	6.9	6.2	1.3	1.7	0.6	0.4
II. North-Eastern Region	**69.0**	**74.0**	**22.5**	**26.9**	**29.4**	**33.8**
Arunachal Pradesh	98.2	98.6	96.8	98.6	98.5	99.2
Assam	67.6	72.6	20.4	24.7	26.9	31.8
Manipur	58.7	66.7	11.3	18.6	25.8	28.1
Meghalaya	70.5	76.0	16.5	17.9	27.5	35.4
Mizoram	84.0	89.2	16.3	20.7	34.9	37.0
Nagaland	63.6	65.7	20.5	19.0	20.8	23.2
Tripura	67.6	72.5	29.2	26.0	43.1	44.9
III. Eastern Region	**65.4**	**69.0**	**14.7**	**18.8**	**16.9**	**20.1**
Bihar	75.1	76.0	24.6	30.7	34.4	40.3
Orissa	73.9	77.5	22.0	28.5	33.0	34.3
Sikkim	78.9	86.2	16.3	30.2	23.0	22.7
West Bengal	49.1	56.7	9.4	11.5	7.7	10.1
Andaman & Nocobar Islands	64.3	64.0	23.3	25.1	23.3	23.2
IV. Central Region	**66.3**	**68.9**	**22.2**	**26.6**	**26.5**	**27.1**
Madhya Pradesh	67.9	70.6	18.4	21.7	24.1	23.7
Uttar Pradesh	65.4	68.0	23.5	28.4	27.7	29.0
V. Western Region	**45.2**	**47.3**	**8.2**	**7.0**	**6.6**	**6.8**
Goa	62.3*	59.7	34.1*	32.0	21.2*	21.4
Gujarat	48.8	50.0	15.5	16.6	15.0	16.7
Maharashtra	42.0	45.1	4.6	3.7	4.4	4.4
Dadra & Nagar Haveli	100.0	100.0	100.0	100.0	100.0	100.0
Daman & Diu	–	10.0	–	3.2	–	2.5
VI. Southern Region	**46.5**	**46.8**	**14.8**	**14.1**	**17.3**	**15.4**
Andhra Pradesh	58.3	57.6	19.1	17.6	24.4	21.0
Karnataka	54.7	55.5	17.1	17.3	20.8	18.1
Kerala	22.7	19.3	9.5	8.1	10.6	8.7
Tamil Nadu	42.3	44.8	12.5	12.4	12.3	12.2
Lakshadweep	100.0	100.0	100.0	100.0	100.0	100.0
Pondicherry	44.4	40.6	15.8	15.3	17.9	16.4
VII. All - India	**55.7**	**58.0**	**14.3**	**15.0**	**14.5**	**14.5**

* Includes Daman & Diu.

Source :- Computed from the data taken from BSR - Quarterly Handouts, Reserve Bank of India.

Table XII-11 : PERFORMANCE OF SCHEDULED COMMERCIAL BANKS IN RURAL AREAS— BY STATES/UTs

(Per cent)

	States/Union Territories	Growth between the last Fridays of March 1987 and 1992			Credi Deposit Ratio as on last Fridays of	
		No. of Offices	Bank Deposits	Bank Credit	March 1987	March 1992
	1	2	3	4	5	6
I.	**Northern Region**	**16.3**	**135.7**	**123.6**	**48.6**	**46.1**
	Haryana	18.6	183.8	137.0	73.7	61.5
	Himachal Pradesh	36.8	150.4	111.9	38.8	32.8
	Jammu & Kashmir	8.2	121.3	78.9	29.0	23.4
	Punjab	8.6	110.2	148.9	37.6	44.5
	Rajasthan	18.1	159.5	101.3	84.7	65.7
	Chandigarh	−7.6	140.0	−16.7	91.2	31.6
	Delhi	−2.7	157.6	78.9	24.1	16.8
II.	**North - Eastern Region**	**34.5**	**168.4**	**124.0**	**66.9**	**55.8**
	Arunachal Pradesh	23.6	264.0	83.7	28.7	14.5
	Assam	33.5	158.5	124.0	73.1	63.3
	Manipur	51.4	293.2	187.8	149.8	109.7
	Meghalaya	36.6	161.8	115.0	48.6	39.9
	Mizoram	57.1	139.1	108.5	44.5	38.8
	Nagaland	9.5	115.6	133.8	44.0	47.7
	Tripura	40.2	128.7	128.4	97.6	97.4
III.	**Eastern Region**	25.5	156.2	139.8	57.9	54.2
	Bihar	16.3	160.8	145.9	55.0	51.9
	Orissa	26.1	197.0	103.6	127.0	87.0
	Sikkim	66.7	239.2	72.9	40.1	20.4
	West Bengal	41.5	138.4	162.8	41.7	45.9
	Andaman & Nicobar Islands	77.8	178.9	119.8	38.0	30.0
IV.	**Central Region**	**20.2**	**162.4**	**121.1**	**60.4**	**50.9**
	Madhya Pradesh	20.4	163.9	128.3	80.6	69.7
	Uttar Pradesh	20.0	162.0	118.1	54.7	45.5
V.	**Western Region**	17.2	124.1	119.9	59.4	58.3
	Goa	−4.3*	82.8	93.1	19.6	20.7
	Gujarat	12.2	138.0	132.2	55.2	53.9
	Maharashtra	22.4	122.0	112.7	77.0	73.8
	Dadra & Nagar Haveli	16.7	223.9	103.7	73.2	46.0
	Daman & Diu	*	*	*	*	15.0
VI.	**Southern Region**	**10.0**	**110.7**	**86.6**	**99.1**	**87.7**
	Andhra Pradesh	10.5	93.9	80.5	103.2	96.1
	Karnataka	10.7	119.0	66.2	108.5	82.3
	Kerala	−11.1	92.8	49.7	71.4	55.4
	Tamil Nadu	16.2	133.1	133.4	98.2	98.4
	Lakshadweep	60.0	196.1	37.4	27.5	12.8
	Pondicherry	–	105.1	79.0	58.7	51.2
VII.	**All - India**	**18.4**	**138.5**	**112.8**	**65.8**	**58.7**

* Data relating to last Friday of March 1987 were included with Goa and hence the growth rates could not be obtained.

Source : Computed from the data taken from BSR - Quarterly Handouts, Reserve Bank of India.

Table XII - 12 : STATEWISE SHARE OF PRIORITY SECTOR ADVANCES RELATING TO SCHEDULED COMMERCIAL BANKS IN TOTAL BANK CREDIT 1986 TO 1990

(Per cent)

	States/Union Territories	Shares of Priority Sector Advances in Total Bank Credit					
		December 1986	December 1987	December 1988	September 1989	March 1990	September 1990
	1	2	3	4	5	6	7
I.	**Northern Region**	**41.16**	**43.87**	**40.52**	**41.67**	**38.92**	**34.28**
	Haryana	72.27	73.16	69.90	68.37	67.14	65.27
	Himachal Pradesh	64.54	62.89	65.34	63.19	60.68	57.21
	Jammu & Kashmir	50.99	51.88	43.82	54.73	60.94	34.52
	Punjab	67.03	67.93	66.81	64.60	61.38	60.30
	Rajasthan	59.48	60.44	60.05	58.65	57.08	55.42
	Chandigarh	22.58	34.91	35.15	30.18	36.87	20.47
	Delhi	18.54	19.64	17.56	20.94	18.02	16.21
II.	**North Eastern Region**	**57.12**	**56.84**	**54.57**	**53.56**	**53.06**	**49.89**
	Assam	53.17	53.07	50.36	49.57	49.17	46.65
	Manipur	75.86	80.00	80.95	72.55	68.42	62.50
	Meghalaya	65.00	68.18	60.00	64.29	62.90	59.70
	Nagaland	65.85	66.00	63.93	61.97	63.16	61.90
	Tripura	80.00	72.58	71.23	70.45	67.68	58.56
	Arunachal Pradesh	61.54	50.00	75.00	57.89	60.00	56.52
	Mizoram	77.78	80.00	84.62	75.00	70.59	72.22
	Sikkim	33.33	35.29	36.36	36.36	40.00	27.59
III.	**Eastern Region**	**39.08**	**39.66**	**39.21**	**38.08**	**37.38**	**36.70**
	Bihar	64.94	65.99	64.86	64.09	63.60	62.30
	Orissa	60.90	60.12	57.53	56.34	54.48	51.06
	West Bengal	27.14	27.37	27.29	26.33	25.78	25.55
	Andaman & Nicobar Islands	50.00	45.45	50.00	50.00	47.06	38.89
IV.	**Central Region**	**59.56**	**58.34**	**56.28**	**55.82**	**53.50**	**53.62**
	Madhya Pradesh	57.83	57.30	54.53	55.76	52.65	54.21
	Uttar Pradesh	60.44	58.90	57.28	55.85	53.97	53.28
V.	**Western Region**	**25.46**	**27.90**	**28.35**	**26.78**	**38.92**	**34.28**
	Gujarat	44.44	44.09	42.64	40.66	39.30	41.01
	Maharashtra	20.94	23.61	24.36	23.12	21.07	21.12
	Daman & Diu	37.73	37.79	37.30	90.00	90.91	76.92
	Goa				36.00	36.21	36.02
	Dadra & Nagar Haveli	75.00	80.00	57.14	62.50	57.14	57.14
VI.	**Southern Region**	**48.13**	**47.96**	**45.58**	**45.29**	**44.11**	**42.59**
	Andhra Pradesh	54.61	55.49	51.46	48.87	47.25	45.28
	Karnataka	49.01	48.69	45.41	47.50	44.98	44.88
	Kerala	48.85	49.45	47.22	44.73	44.39	43.50
	Tamil Nadu	42.45	41.48	40.80	41.56	41.30	39.04
	Pandicherry	51.19	47.06	49.17	44.36	41.56	54.78
	Lakshadweep	100.00	100.00	100.00	100.00	100.00	100.00
VII.	**All-India**	**40.1**	**41.61**	**40.28**	**39.56**	**37.70**	**36.48**

Source : Computed from the half-yearly returns received by RBI from Scheduled Commercial Banks.

Table XII-13 : SECTORAL DEPLOYMENT OF PRIORITY SECTOR ADVANCES OF SCHEDULED COMMERCIAL BANKS, DECEMBER 1986

(Per cent)

	States/Union Territories	Agriculture and Allied Activities	Small Scale Industries	Services	Total
	1	2	3	4	5
I.	**Northern Region**	**41.16**	**40.04**	**18.80**	**100.00**
	Haryana	47.79	38.37	13.84	100.00
	Himachal Pradesh	30.86	27.78	41.36	100.00
	Jammu & Kashmir	19.32	34.78	45.90	100.00
	Punjab	47.69	38.42	13.89	100.00
	Rajasthan	51.06	24.58	24.36	100.00
	Chandigarh	71.07	18.93	10.00	100.00
	Delhi	11.71	69.44	18.85	100.00
II.	**North-Eastern Region**	**27.23**	**24.03**	**48.74**	**100.00**
	Assam	26.16	26.49	47.35	100.00
	Manipur	18.18	18.18	63.64	100.00
	Meghalaya	26.92	15.39	57.69	100.00
	Nagaland	37.04	25.92	37.04	100.00
	Tripura	37.50	15.00	47.50	100.00
	Arunachal Pradesh	12.50	25.00	62.50	100.00
	Mizoram	14.28	14.29	71.43	100.00
	Sikkim	40.00	20.00	40.00	100.00
III.	**Eastern Region**	**38.49**	**34.01**	**27.50**	**100.00**
	Bihar	45.91	23.49	30.60	100.00
	Orissa	45.44	22.98	31.58	100.00
	West Bengal	30.18	46.31	23.51	100.00
	Andaman & Nicobar Islands	40.00	20.00	40.00	100.00
IV.	**Central Region**	**43.44**	**30.62**	**25.94**	**100.00**
	Madhya Pradesh	44.57	26.74	28.69	100.00
	Uttar Pradesh	42.89	32.51	24.60	100.00
V.	**Western Region**	**32.92**	**48.21**	**18.87**	**100.00**
	Gujarat	36.41	44.90	18.69	100.00
	Maharashtra	31.72	50.05	18.23	100.00
	Goa, Daman & Diu	19.42	39.81	40.77	100.00
	Dadra & Nagar Haveli	–	66.67	33.33	100.00
VI.	**Southern Region**	**49.17**	**30.74**	**20.09**	**100.00**
	Andhra Pradesh	59.57	26.51	13.92	100.00
	Karnataka	47.82	29.33	22.85	100.00
	Kerala	37.89	30.63	31.48	100.00
	Tamil Nadu	45.62	35.96	18.42	100.00
	Pondicherry	55.81	27.91	16.28	100.00
	Lakshadweep	–	–	100.00	100.00
VII.	**ALL INDIA**	**41.97**	**36.18**	**21.85**	**100.00**

Source : Computed from the Half-yearly returns received by RBI from Scheduled Commercial Banks.

Table XII-13 : SECTORAL DEPLOYMENT OF PRIORITY SECTOR ADVANCES OF SCHEDULED COMMERCIAL BANKS, DECEMBER 1987

(Per cent)

	States/Union Territories	Agriculture and Allied Activities	Small Scale Industries	Services	Total
	1	2	3	4	5
I.	**Northern Region**	**41.58**	**40.03**	**18.39**	**100.00**
	Haryana	50.25	35.69	14.06	100.00
	Himachal Pradesh	31.69	28.42	39.89	100.00
	Jammu & Kashmir	20.51	35.47	44.02	100.00
	Punjab	47.65	38.52	13.83	100.00
	Rajasthan	52.17	24.65	23.18	100.00
	Chandigarh	71.62	19.80	8.58	100.00
	Delhi	11.10	69.95	18.95	100.00
II.	**North-Eastern Region**	**27.40**	**26.03**	**46.57**	**100.00**
	Assam	26.55	27.12	46.33	100.00
	Manipur	17.86	28.57	53.57	100.00
	Meghalaya	26.67	20.00	53.33	100.00
	Nagaland	36.36	30.30	33.34	100.00
	Tripura	35.56	17.78	46.66	100.00
	Arunachal Pradesh	14.29	28.57	57.14	100.00
	Mizoram	12.50	25.00	62.50	100.00
	Sikkim	50.00	16.67	33.33	100.00
III.	**Eastern Region**	**36.36**	**35.15**	**28.49**	**100.00**
	Bihar	43.16	24.72	32.12	100.00
	Orissa	42.39	26.29	31.32	100.00
	West Bengal	28.62	46.91	24.47	100.00
	Andaman & Nicobar Islands	40.00	20.00	40.00	100.00
IV.	**Central Region**	**42.34**	**32.00**	**25.66**	**100.00**
	Madhya Pradesh	44.63	27.99	27.38	100.00
	Uttar Pradesh	44.14	34.10	24.76	100.00
V.	**Western Region**	**32.86**	**48.89**	**18.25**	**100.00**
	Gujarat	37.36	44.25	18.39	100.00
	Maharashtra	31.16	51.31	17.53	100.00
	Goa, Daman & Diu	19.47	40.71	39.82	100.00
	Dadra & Nagar Haveli	25.00	50.00	25.00	100.00
VI.	**Southern Region**	**48.72**	**31.25**	**20.03**	**100.00**
	Andhra Pradesh	58.49	26.37	15.14	100.00
	Karnataka	47.92	29.10	22.98	100.00
	Kerala	36.81	32.36	30.83	100.00
	Tamil Nadu	45.98	37.17	16.85	100.00
	Pondicherry	57.17	29.17	16.66	100.00
	Lakshadweep	100.00	–	–	100.00
VII.	**ALL INDIA**	**41.47**	**36.85**	**21.68**	**100.00**

Source : Computed from the Half-yearly returns received by RBI from Scheduled Commercial Banks.

Table XII-13 : SECTORAL DEPLOYMENT OF PRIORITY SECTOR ADVANCES OF SCHEDULED COMMERCIAL BANKS, DECEMBER 1988

(Per cent)

	States/Union Territories	Agriculture and Allied Activities	Small Scale Industries	Services	Total
	1	2	3	4	5
I.	**Northern Region**	**39.91**	**41.80**	**18.29**	**100.00**
	Haryana	51.27	34.85	13.88	100.00
	Himachal Pradesh	31.92	29.58	38.50	100.00
	Jammu & Kashmir	18.92	36.68	44.40	100.00
	Punjab	45.61	40.23	14.16	100.00
	Rajasthan	53.67	25.04	21.29	100.00
	Chandigarh	62.73	26.94	10.33	100.00
	Delhi	9.35	71.74	18.91	100.00
II.	**North-Eastern Region**	**28.86**	**28.03**	**43.11**	**100.00**
	Assam	28.54	29.50	41.96	100.00
	Manipur	14.71	35.29	50.00	100.00
	Meghalaya	30.00	10.00	60.00	100.00
	Nagaland	38.46	30.77	30.77	100.00
	Tripura	34.62	17.31	48.07	100.00
	Mizoram	18.18	27.27	54.55	100.00
	Arunachal Pradesh	16.66	41.67	41.67	100.00
	Sikkim	50.00	25.00	25.00	100.00
III.	**Eastern Region**	**35.63**	**35.54**	**28.83**	**100.00**
	Bihar	41.91	25.61	32.48	100.00
	Orissa	42.88	24.48	32.64	100.00
	West Bengal	27.85	47.75	24.40	100.00
	Andaman & Nicobar Islands	28.57	28.57	42.86	100.00
IV.	**Central Region**	**41.70**	**32.75**	**25.55**	**100.00**
	Madhya Pradesh	44.52	29.22	26.25	100.00
	Uttar Pradesh	40.17	34.66	25.17	100.00
V.	**Western Region**	**32.86**	**50.00**	**17.14**	**100.00**
	Gujarat	37.71	44.71	17.58	100.00
	Maharashtra	30.99	52.70	16.31	100.00
	Goa, Daman & Diu	20.44	42.34	37.22	100.00
	Dadra & Nagar Haveli	25.00	50.00	25.00	100.00
VI.	**Southern Region**	**48.34**	**31.99**	**19.67**	**100.00**
	Andhra Pradesh	58.43	25.81	15.76	100.00
	Karnataka	47.07	30.71	22.22	100.00
	Kerala	37.13	33.63	29.24	100.00
	Tamil Nadu	45.25	37.89	16.86	100.00
	Pondicherry	52.54	30.51	16.95	100.00
	Lakshadweep	–	–	100.00	100.00
VII.	**ALL INDIA**	**40.78**	**37.90**	**21.32**	**100.00**

Source : Computed from the Half-yearly returns received by RBI from Scheduled Commercial Banks.

Table XII-13 : SECTORAL DEPLOYMENT OF PRIORITY SECTOR ADVANCES OF SCHEDULED COMMERCIAL BANKS, SEPTEMBER 1989

(Per cent)

	States/Union Territories	Agriculture and Allied Activities	Small Scale Industries	Services	Total
	1	2	3	4	5
I.	**Northern Region**	**40.44**	**40.92**	**18.64**	**100.00**
	Haryana	52.01	33.72	14.27	100.00
	Himachal Pradesh	30.87	32.17	36.96	100.00
	Jammu & Kashmir	19.17	36.09	44.74	100.00
	Punjab	47.85	37.69	14.45	100.00
	Rajasthan	52.09	26.91	21.00	100.00
	Chandigarh	62.00	27.67	10.33	100.00
	Delhi	13.90	65.96	20.14	100.00
II.	**North-Eastern Region**	**29.75**	**28.40**	**41.85**	**100.00**
	Assam	28.54	30.28	41.18	100.00
	Manipur	16.22	37.84	45.94	100.00
	Meghalaya	33.33	13.89	52.78	100.00
	Nagaland	40.90	29.55	29.55	100.00
	Tripura	37.10	17.74	45.16	100.00
	Arunachal Pradesh	27.27	27.27	45.45	100.00
	Mizoram	16.67	25.00	58.33	100.00
	Sikkim	50.00	25.00	25.00	100.00
III.	**Eastern Region**	**35.04**	**36.36**	**28.60**	**100.00**
	Bihar	41.22	26.46	32.32	100.00
	Orissa	41.84	26.22	31.94	100.00
	West Bengal	27.55	48.16	24.29	100.00
	Andaman & Nicobar Islands	25.00	25.00	50.00	100.00
IV.	**Central Region**	**42.05**	**32.27**	**25.68**	**100.00**
	Madhya Pradesh	45.70	28.52	25.78	100.00
	Uttar Pradesh	40.01	34.36	25.63	100.00
V.	**Western Region**	**31.97**	**51.15**	**16.88**	**100.00**
	Gujarat	35.35	47.26	17.39	100.00
	Maharashtra	30.80	53.10	16.10	100.00
	Daman & Diu	11.11	77.78	11.11	100.00
	Goa	22.92	40.28	36.80	100.00
	Dadra & Nagar Haveli	20.00	60.00	20.00	100.00
VI.	**Southern Region**	**47.39**	**33.39**	**19.22**	**100.00**
	Andhra Pradesh	56.93	26.68	16.39	100.00
	Karnataka	48.27	30.37	21.36	100.00
	Kerala	36.69	34.46	28.85	100.00
	Tamil Nadu	43.15	40.74	16.11	100.00
	Pondicherry	50.85	32.20	16.95	100.00
	Lakshadweep	–	–	100.00	100.00
ALL INDIA		**40.40**	**38.43**	**21.17**	**100.00**

Source : Computed from the Half-yearly returns received by RBI from Scheduled Commercial Banks.

Table XII-13 : SECTORAL DEPLOYMENT OF PRIORITY SECTOR ADVANCES OF SCHEDULED COMMERCIAL BANKS, MARCH 1990

(Per cent)

	States/Union Territories	Agriculture and Allied Activities	Small Scale Industries	Services	Total
	1	2	3	4	5
I.	**Northern Region**	**39.44**	**42.70**	**17.86**	**100.00**
	Haryana	50.83	35.38	13.79	100.00
	Himachal Pradesh	35.58	30.34	34.08	100.00
	Jammu & Kashmir	19.01	36.27	44.72	100.00
	Punjab	46.35	39.67	13.98	100.00
	Rajasthan	52.40	27.38	20.22	100.00
	Chandigarh	63.26	26.84	9.90	100.00
	Delhi	10.70	70.55	18.75	100.00
II.	**North-Eastern Region**	**29.87**	**29.30**	**40.83**	**100.00**
	Assam	28.27	31.01	40.72	100.00
	Manipur	17.95	35.90	46.15	100.00
	Meghalaya	33.33	15.38	51.28	100.00
	Nagaland	41.67	31.25	27.08	100.00
	Tripura	38.81	19.40	41.79	100.00
	Arunachal Pradesh	25.00	25.00	50.00	100.00
	Mizoram	16.67	25.00	58.33	100.00
	Sikkim	41.67	41.67	16.67	100.00
III.	**Eastern Region**	**35.63**	**36.04**	**28.33**	**100.00**
	Bihar	40.76	26.88	32.36	100.00
	Orissa	42.59	25.60	31.81	100.00
	West Bengal	28.83	47.43	23.74	100.00
	Andaman & Nicobar Islands	37.50	25.00	37.50	100.00
IV.	**Central Region**	**43.08**	**32.16**	**24.75**	**100.00**
	Madhya Pradesh	46.38	28.44	25.18	100.00
	Uttar Pradesh	41.32	34.16	24.53	100.00
V.	**Western Region**	**32.00**	**51.40**	**16.60**	**100.00**
	Gujarat	34.23	48.62	17.15	100.00
	Maharashtra	31.25	52.94	15.81	100.00
	Daman & Diu	10.00	70.00	20.00	100.00
	Goa	25.17	39.07	35.76	100.00
	Dadra & Nagar Haveli	25.00	50.00	25.00	100.00
VI.	**Southern Region**	**48.41**	**32.57**	**19.01**	**100.00**
	Andhra Pradesh	57.26	26.01	16.72	100.00
	Karnataka	47.82	30.97	21.21	100.00
	Kerala	41.28	30.29	28.43	100.00
	Tamil Nadu	44.51	39.80	15.69	100.00
	Pondicherry	51.56	31.25	17.19	100.00
	Lakshadweep	–	–	100.00	100.00
VII.	**ALL INDIA**	40.79	38.48	20.72	100.00

Source : Computed from the Half-yearly returns received by RBI from Scheduled Commercial Banks.

Table XII-13 : SECTORAL DEPLOYMENT OF PRIORITY SECTOR ADVANCES OF SCHEDULED COMMERCIAL BANKS, SEPTEMBER 1990

(Per cent)

	States/Union Territories	Agriculture and Allied Activities	Small Scale Industries	Services	Total
	1	2	3	4	5
I.	**Northern Region**	**38.94**	**42.46**	**18.60**	**100.00**
	Haryana	50.08	35.35	14.57	100.00
	Himachal Pradesh	30.23	33.33	36.43	100.00
	Jammu & Kashmir	19.93	37.80	42.27	100.00
	Punjab	47.97	37.57	14.46	100.00
	Rajasthan	49.51	29.13	21.36	100.00
	Chandigarh	63.29	27.53	9.18	100.00
	Delhi	11.63	68.37	20.00	100.00
II.	**North-Eastern Region**	**28.97**	**30.24**	**40.79**	**100.00**
	Assam	27.50	32.08	40.42	100.00
	Manipur	17.50	37.50	45.00	100.00
	Meghalaya	32.50	17.50	50.00	100.00
	Nagaland	44.23	30.77	25.00	100.00
	Tripura	35.38	20.00	44.62	100.00
	Arunachal Pradesh	23.08	23.08	53.84	100.00
	Mizoram	15.38	30.77	53.85	100.00
	Sikkim	37.50	37.50	25.00	100.00
III.	**Eastern Region**	**32.84**	**37.19**	**29.97**	**100.00**
	Bihar	40.01	27.02	32.97	100.00
	Orissa	37.83	27.57	34.60	100.00
	West Bengal	25.21	48.98	25.81	100.00
	Andaman & Nicobar Islands	28.57	28.57	42.86	100.00
IV.	**Central Region**	**42.76**	**32.50**	**24.74**	**100.00**
	Madhya Pradesh	47.86	28.02	24.12	100.00
	Uttar Pradesh	39.87	35.04	25.09	100.00
V.	**Western Region**	**30.86**	**52.76**	**16.38**	**100.00**
	Gujarat	33.62	46.63	16.75	100.00
	Maharashtra	29.90	54.40	15.70	100.00
	Daman & Diu	10.00	70.00	20.00	100.00
	Goa	22.37	42.76	34.87	100.00
	Dadra & Nagar Haveli	25.00	50.00	25.00	100.00
VI.	**Southern Region**	**46.56**	**34.10**	**19.34**	**100.00**
	Andhra Pradesh	55.45	27.03	17.52	100.00
	Karnataka	45.86	32.45	21.69	100.00
	Kerala	39.56	31.56	28.88	100.00
	Tamil Nadu	42.76	41.63	15.61	100.00
	Pondicherry	59.30	26.74	13.95	100.00
	Lakshadweep	–	–	100.00	100.00
VII.	**ALL INDIA**	**39.48**	**39.37**	**21.15**	**100.00**

Source : Computed from the Half-yearly returns received by RBI from Scheduled Commercial Banks.

Table XII-14 : ANNUAL GROWTH RATE OF PRIORITY SECTOR ADVANCES OF SCHEDULED COMMERCIAL BANKS, SEPTEMBER 1990

(Per cent)

	States/Union Territories	Agriculture and Allied Activities	Small Scale Industries	Services	Total	Total Bank Credit
	1	2	3	4	5	6
I.	**Northern Region**	**4.04**	**12.11**	**7.81**	**8.04**	**31.36**
	Haryana	3.00	12.17	9.19	6.97	12.06
	Himachal Pradesh	9.86	16.22	10.59	12.17	23.90
	Jammu & Kashmir	13.73	14.58	3.36	9.40	73.46
	Punjab	9.37	8.74	9.18	9.10	16.87
	Rajasthan	−1.11	12.60	5.84	4.04	10.11
	Chandigarh	7.53	4.82	−6.45	15.33	55.33
	Delhi	−7.63	14.46	9.65	10.42	42.72
II.	**North-Eastern Region**	**3.52**	**13.16**	**3.57**	**6.29**	**14.09**
	Assam	0.76	10.79	2.65	4.58	11.12
	Manipur	16.67	7.14	5.88	8.11	25.49
	Meghalaya	8.33	40.00	5.26	11.11	19.64
	Nagaland	27.78	23.08	–	18.18	18.31
	Tripura	–	18.18	3.57	4.84	26.14
	Arunachal Pradesh	–	–	40.00	18.18	21.05
	Mizoram	–	33.33	–	8.33	12.50
	Sikkim	−25.00	50.00	–	–	31.82
III.	**Eastern Region**	**2.50**	**11.85**	**14.62**	**9.36**	**13.48**
	Bihar	10.29	16.03	15.90	13.62	16.88
	Orissa	−8.64	6.22	9.49	1.05	11.49
	West Bengal	0.17	11.30	16.28	9.45	12.77
	Andaman & Nicobar Islands	–	–	−25.00	−12.50	12.50
IV.	**Central Region**	**15.75**	**14.60**	**9.62**	**13.81**	**18.48**
	Madhya Pradesh	20.66	13.21	7.78	15.22	18.49
	Uttar Pradesh	12.62	15.25	10.65	13.02	18.48
V.	**Western Region**	**4.10**	**11.26**	**4.75**	**7.87**	**15.48**
	Gujarat	4.32	15.21	5.68	9.70	8.75
	Maharashtra	4.01	9.78	4.51	7.16	17.33
	Daman & Diu	–	–	50.00	11.11	30.00
	Goa	3.03	12.07	–	5.55	5.50
	Dadra & Nagar Haveli	–	−33.33	–	−20.00	−12.50
VI.	**Southern Region**	**6.48**	**10.69**	**9.00**	**8.37**	**15.23**
	Andhra Pradesh	2.18	6.31	12.07	4.90	13.22
	Karnataka	−1.84	10.40	4.93	3.32	9.36
	Kerala	16.09	−1.40	7.72	7.65	10.70
	Tamil Nadu	13.66	17.22	11.20	14.72	22.12
	Pondicherry	70.00	21.05	20.00	45.76	18.05
	Lakshadweep	–	–	–	–	–
VII.	**ALL INDIA**	6.62	11.79	8.99	9.11	18.34

Source : Computed from the Half-yearly returns received by RBI from Scheduled Commercial Banks.

State-wise Financial Assistance by All-India Financial Institutions and Industrial Development Bank of India

The data on statewise financial assistance sanctioned by All-India Financial Institutions and Industrial Development Bank of India for the years 1986-87, 1989-90, 1990-91 and the cumulative position upto end March 1991 are presented in Table XII-15. Each State's share in financial assistance of these institutions is given in Table XII-16. Maharashtra had the largest share (25.51 per cent) in the total sanctions accorded by All-India Financial Institutions followed by Gujarat (14.51 per cent), Tamil Nadu (7.66 per cent), Uttar Pradesh (7.61 per cent), Madhya Pradesh (6.82 per cent), Karnataka (5.37 per cent) and Rajasthan (4.30 per cent) in the year 1990-91. The smaller States such as Arunachal Pradesh, Assam, Goa, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura had relatively lower share of less than 1 per cent. As regards disbursements, Maharashtra had the highest share at 24.08 per cent followed by Gujarat (12.91 per cent), Tamil Nadu (8.80 per cent), Uttar Pradesh (8.0 per cent), Madhya Pradesh (5.86 per cent), Karnataka (5.17 per cent) and Rajasthan (3.97 per cent). In the amount of disbursals, smaller States had negligible share as in the case of the sanctions accorded by All-India Financial Institutions. The data on cumulative position upto end March 1991 also revealed more or less similar trends.

The financial assistance sanctioned and disbursed by Industrial Development Bank of India indicated that a large proportion (35 to 60 per cent) of the amount sanctioned and disbursed by All-India Financial Institutions was on account of the Industrial Development Bank of India. The State-wise sanctions and disbursals by IDBI indicated similar trends as in the case of All-India Financial Institutions, both in regard to the sanctions and disbursals during 1990-91 and the cumulative position upto end March 1991 (Table XII-16 and XII-17).

State-wise share in all-India population

State-wise share in all-India population varies between 0.1 per cent in respect of Arunachal Pradesh, Mizoram, Nagaland and Sikkim and 16.5 per cent in respect of Uttar Pradesh as per the 1991 Census (Table XII-18). The State-wise shares in all-India population have remained more or less constant through the last three Census; the 1971, 1981 and 1991 Census. The share of Union Territories, however, has increased from 0.9 per cent in 1971 to 1.1 per cent in 1981 and further to 1.4 per cent in 1991. Apart from Uttar Pradesh which had the highest share in all-India population, eight more States had share of more than 5 per cent. They were : Andhra Pradesh (7.9 per cent), Bihar (10.2 per cent), Karnataka (5.3 per cent), Madhya Pradesh (7.8 per cent), Maharashtra (9.3 per cent), Rajasthan (5.2 per cent), Tamil Nadu (6.6 per cent) and West Bengal (8.1 per cent).

Percentage of literates to estimated population

Data in respect of percentage of literates to estimated population aged 7 years and above in the two Census years viz. 1981 and 1991 for States and UTs. have been provided in Table XII-19. It will be observed therefrom that Kerala, topped the list in the literacy rates for both 1981 and 1991. Among the Union Territories, Chandigarh recorded the highest literacy rate of 74.8 per cent in 1981 while Lakshadweep recorded the highest rate of 79.2 per cent in 1991. As per the 1991 Census, ten States including Kerala recorded literacy rates of more than 60 per cent. These were : Goa (76.9 per cent), Gujarat (60.9 per cent), Himachal Pradesh (63.5 per cent), Kerala (90.6 per cent), Maharashtra (63.1 per cent), Manipur (61.0 per cent), Mizoram (81.2 per cent), Nagaland (61.3 per cent), Tamil Nadu (63.7 per cent), and Tripura (60.4 per cent).

States which recorded literacy rates between 50 and 60 per cent were : Assam (53.4 per cent), Haryana (55.3 per cent), Karnataka (56.0 per cent), Punjab (57.1 per cent), Sikkim (56.5 per cent) and West Bengal (57.7 per cent). The remaing States (except Jammu & Kashmir whose data are not available) recorded percentages of less than 50 per cent. Excepting the Union Territory of Dadra and Nagar Haveli which recorded a literacy percentage of 39.5 per cent, all other Union Territories recorded literacy preentages of more than 70 per cent.

Table XII-15 : State-wise financial assistance sanctioned and disbursed by All-India Financial Institutions and IDBI

(Rs. crore)

Sr. No.	State	ALL-INDIA FINANCIAL INSTITUTIONS								INDUSTRIAL DEVELOPMENT BANK OF INDIA							
		1986-87		1989-90		1990-91		Cumulative up to end March 1991		1986-87		1989-90		1990-91		Cumulative upto end March 1991$	
		S	D	S	D	S	D	S	D	S	D	S	D	S	D	S	D
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.	Andhra Pradesh	756.6	362.9	977.8	660.1	1501.4	945.9	7464.9	4900.5	585.9	239.6	569.5	415.9	654.3	487.3	4141.9	2835.2
2.	Arunachal Pradesh	1.7	1.0	1.0	0.9	4.0	1.4	19.4	14.3	1.7	1.0	1.0	0.9	1.1	0.6	14.4	11.2
3.	Assam	48.4	44.6	216.4	58.9	69.8	71.1	662.5	427.5	37.4	34.6	110.7	40.5	37.6	31.3	424.7	292.2
4.	Bihar	153.3	106.3	367.3	198.8	195.7	109.9	2030.7	1348.5	122.9	69.9	157.5	82.6	56.2	42.8	1088.7	641.5
5.	Goa	46.8	25.6	118.7	76.7	87.3	79.2	711.2	513.7	34.7	22.8	73.9	48.6	35.5	37.9	475.4	357.4
6.	Gujarat	862.6	696.0	1563.0	923.4	2523.7	1375.9	11301.1	7651.0	446.9	372.3	863.6	537.9	799.1	469.8	5660.4	4018.2
7.	Haryana	156.2	130.4	533.0	273.8	354.1	314.5	2314.7	1639.7	105.0	95.1	342.3	178.4	121.6	145.7	1381.5	1008.9
8.	Himachal Pradesh	53.1	52.8	154.3	90.3	325.4	74.3	1015.3	538.9	40.5	40.4	110.0	61.4	146.5	26.2	666.7	371.5
9.	Jammu & Kashmir	63.4	37.5	59.7	44.7	54.2	39.7	478.7	375.0	33.6	21.6	54.1	41.8	18.3	10.2	376.1	298.7
10.	Karnataka	348.4	299.7	546.5	406.5	934.3	550.9	4920.4	3766.3	239.8	211.6	417.0	287.8	368.2	208.7	2918.3	2235.7
11.	Kerala	142.3	106.4	227.9	172.2	276.7	195.3	1727.8	1338.8	112.6	94.5	192.6	140.4	119.0	76.2	1253.7	970.5
12.	Madhya Pradesh	422.3	245.1	628.8	432.4	1185.7	624.8	4863.6	3142.5	283.9	174.3	425.5	280.2	553.3	300.0	2619.3	1766.1
13.	Maharashtra	1081.1	810.2	3644.8	1877.6	4438.3	2567.4	18250.6	12248.9	480.5	360.1	1413.6	627.9	1368.8	678.7	7186.3	4658.7
14.	Manipur	6.5	3.1	12.2	8.8	2.6	4.8	38.5	30.3	6.5	3.1	11.1	6.1	0.8	2.0	32.9	24.9
15.	Meghalaya	14.9	8.8	10.1	11.2	5.7	7.7	83.7	72.1	11.6	8.0	9.3	9.1	2.7	4.0	66.7	57.1
16.	Mizoram	3.1	2.3	4.0	4.0	4.5	4.0	31.7	27.1	3.1	2.3	4.0	4.0	1.1	0.4	28.3	23.5
17.	Nagaland	0.9	3.0	3.0	4.2	2.9	5.7	36.2	34.5	0.9	2.8	3.0	3.8	0.8	0.5	27.7	25.7
18.	Orissa	145.2	148.3	370.7	174.4	307.2	292.5	2333.8	1633.0	98.2	100.0	230.1	117.4	110.2	129.5	1437.1	1064.7
19.	Punjab	274.8	146.0	365.7	359.6	455.3	355.4	2678.1	2018.0	159.4	102.1	202.6	185.4	126.0	108.4	1452.3	1084.0
20.	Rajasthan	277.7	225.5	576.6	302.9	748.0	423.2	3884.0	2366.1	156.3	110.9	268.3	174.3	314.8	157.9	2171.2	1323.8
21.	Sikkim	3.0	4.6	8.0	2.5	1.2	3.6	30.5	24.4	1.2	3.0	8.0	2.5	0.2	2.0	24.7	18.4
22.	Tamil Nadu	432.5	445.7	1188.6	833.7	1332.0	938.3	7854.9	5861.4	282.6	268.2	704.8	522.2	519.5	361.1	4470.8	3408.1
23.	Tripura	3.9	1.5	11.5	3.7	1.3	2.3	36.6	25.2	1.9	1.4	7.9	3.7	—	0.3	28.3	19.9
24.	Uttar Pradesh	879.7	570.5	1076.4	705.9	1324.2	853.3	8305.6	5627.3	491.9	383.3	607.9	415.0	592.5	340.2	4727.3	3293.7
25.	West Bengal	313.8	268.7	611.2	396.7	609.5	417.7	4161.6	3022.8	215.1	135.9	328.9	228.2	199.5	155.9	2250.4	1626.8
26.	Union Territories	208.8	133.5	309.2	232.1	646.0	401.6	2412.7	1646.8	87.7	68.1	140.6	90.0	81.2	54.9	916.1	677.8
	Total	**6701.0**	**4880.0**	**13586.4**	**8256.0**	**17397.0 @**	**10660.4**	**87655.2 ***	**60294.9 ****	**4041.8**	**2926.9**	**7257.8**	**4506.0**	**6228.8**	**3832.5**	**45841.6 @@**	**32114.5 £**

S = Sanctioned. D = Disbursed

$ Include assistance to small sector upto 1989-90.

@ Including assistance of Rs. 6 crore sanctioned by ICICI to Russia.

@@ Includes assistance of Rs. 37 lakh sanctioned to Bhutan.

* Including assistance of Rs. 0.4 crore sanctioned by IDBI to Bhutan and Rs. 6 crore by ICICI to Russia.

** Including assistance of Rs. 0.3 crore disbursed by IDBI to Bhutan.

£ Includes assistance of Rs. 29 lakhs disbursed to Bhutan.

Table XII—16 : State-wise share of financial assistance sanctioned and disbursed by All-India Financial Institutions

(Per cent)

Sr. No.	State	1986-87		1989-90		1990-91		Cumulative upto end March 1991	
		S	D	S	D	S	D	S	D
	1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	11.29	7.44	7.20	8.00	8.63	8.87	8.52	8.13
2.	Arunachal Pradesh	0.03	0.02	0.01	0.01	0.02	0.01	0.02	0.02
3.	Assam	0.72	0.91	1.59	0.71	0.40	0.67	0.76	0.71
4.	Bihar	2.29	2.18	2.70	2.41	1.12	1.03	2.32	2.24
5.	Goa	0.70	0.52	0.87	0.93	0.50	0.74	0.81	0.85
6.	Gujarat	12.87	14.26	11.50	11.18	14.51	12.91	12.89	12.69
7.	Haryana	2.33	2.67	3.92	3.32	2.04	2.95	2.64	2.72
8.	Himachal Pradesh	0.79	1.08	1.14	1.09	1.87	0.70	1.16	0.89
9.	Jammu & Kashmir	0.95	0.77	0.44	0.54	0.31	0.37	0.55	0.62
10.	Karnataka	5.20	6.14	4.02	4.92	5.37	5.17	5.61	6.25
11.	Kerala	2.12	2.18	1.68	2.08	1.59	1.83	1.97	2.22
12.	Madhya Pradesh	6.30	5.02	4.63	5.24	6.82	5.86	5.55	5.21
13.	Maharashtra	16.13	16.60	26.83	22.74	25.51	24.08	20.82	20.31
14.	Manipur	0.10	0.06	0.09	0.11	0.01	0.05	0.04	0.05
15.	Meghalaya	0.22	0.18	0.07	0.14	0.03	0.07	0.09	0.12
16.	Mizoram	0.05	0.05	0.03	0.05	0.03	0.04	0.04	0.04
17.	Nagaland	0.01	0.06	0.02	0.05	0.02	0.05	0.04	0.06
18.	Orissa	2.17	3.04	2.73	2.11	1.77	2.74	2.66	2.71
19.	Punjab	4.10	2.99	2.69	4.36	2.62	3.33	3.05	3.35
20.	Rajasthan	4.14	4.62	4.24	3.67	4.30	3.97	4.43	3.92
21.	Sikkim	0.04	0.09	0.06	0.03	0.01	0.03	0.03	0.04
22.	Tamil Nadu	6.45	9.13	8.75	10.10	7.66	8.80	8.96	9.72
23.	Tripura	0.06	0.03	0.08	0.04	0.01	0.02	0.04	0.04
24.	Uttar Pradesh	13.13	11.69	7.92	8.55	7.61	8.00	9.47	9.33
25.	West Bengal	4.68	5.51	4.50	4.80	3.50	3.92	4.75	5.01
26.	Union Territories	3.12	2.74	0.98	2.81	3.71	3.77	2.75	2.73

S = Sanctioned

D = Disbursed.

Table XII—17 : State-wise share of financial assistance sanctioned and disbursed by IDBI

(Per cent)

Sr. No.	State	1986-87		1989-90		1990-91		Cumulative upto end March 1991	
		S	D	S	D	S	D	S	D
	1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	14.50	8.19	7..85	9.23	10.50	12.71	9.04	8.83
2.	Arunachal Pradesh	0.04	0.03	0.01	0.02	0.02	0.02	0.03	0.03
3.	Assam	0.03	1.18	1.53	0.90	0.60	0.82	0.93	0.91
4.	Bihar	3.04	2.39	2.17	1.83	0.90	1.12	2.37	2.00
5.	Goa	0.86	0.78	1.02	1.08	0.57	0.99	1.04	1.11
6.	Gujarat	11.06	12.72	11.90	11.94	12.83	12.26	12.35	12.51
7.	Haryana	2.60	3.25	4.72	3.96	1.95	3.80	3.01	3.14
8.	Himachal Pradesh	1.00	1.38	1.52	1.36	2.35	0.68	1.45	1.16
9.	Jammu & Kashmir	0.83	0.74	0.75	0.93	0.29	0.27	0.82	0.93
10.	Karnataka	5.93	7.23	5.75	6.39	5.91	5.45	6.37	6.96
11.	Kerala	2.79	3.23	2.65	3.12	1.91	1.99	2.73	3.02
12.	Madhya Pradesh	7.02	5.96	5.86	6.22	8.88	7.83	5.71	5.50
13.	Maharashtra	11.89	12.30	19.48	13.93	21.97	17.71	15.68	14.51
14.	Manipur	0.16	0.11	0.15	0.14	0.01	0.05	0.07	0.08
15.	Meghalaya	0.29	0.27	0.13	0.20	0.04	0.10	0.15	0.18
16.	Mizoram	0.08	0.08	0.06	0.09	0.02	0.01	0.06	0.07
17.	Nagaland	0.02	0.10	0.04	0.08	0.01	0.01	0.06	0.08
18.	Orissa	2.43	3.42	3.17	2.61	1.77	3.38	3.13	3.32
19.	Punjab	3.94	3.49	2.79	4.11	2.02	2.83	3.17	3.38
20.	Rajasthan	3.87	3.79	3.70	3.87	5.05	4.12	4.74	4.12
21.	Sikkim	0.03	0.10	0.11	0.06	0.03	0.05	0.05	0.06
22.	Tamil Nadu	6.99	9.16	9.71	11.59	8.34	9.42	9.75	10.61
23.	Tripura	0.05	0.05	0.11	0.08	—	0.01	0.06	0.06
24.	Uttar Pradesh	12.17	13.10	8.38	9.21	9.51	8.88	10.31	10.26
25.	West Bengal	5.32	4.64	4.53	5.06	3.20	4.07	4.91	5.07
26.	Union Territories	2.17	2.33	1.94	2.00	1.30	1.43	2.00	2.11

S = Sanctioned.

D = Disbursed.

Table XII – 18 : State-wise Share in All-India Population

(Per cent)

States/Union Territories	1971	1981	1986	1987	1988	1989	1990	1991
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	7.9	7.8	7.7	7.7	7.7	7.7	7.7	7.9
2. Arunachal Pradesh	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
3. Assam	2.7	2.9	2.9	2.9	2.9	2.9	2.9	2.6
4. Bihar	10.3	10.2	10.2	10.2	10.3	10.3	10.3	10.2
5. Goa	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
6. Gujarat	4.9	5.0	5.0	4.9	4.9	4.9	4.9	4.9
7. Haryana	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0
8. Himachal Pradesh	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
9. Jammu & Kashmir	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9
10. Karnataka	5.3	5.4	5.4	5.4	5.4	5.4	5.4	5.3
11. Kerala	3.9	3.7	3.7	3.6	3.6	3.6	3.6	3.4
12. Madhya Pradesh	7.6	7.6	7.6	7.7	7.7	7.7	7.7	7.8
13. Maharashtra	9.2	9.2	9.2	9.1	9.1	9.1	9.0	9.3
14. Manipur	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
15. Meghalaya	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
16. Mizoram	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
17. Nagaland	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
18. Orissa	4.0	3.8	3.8	3.8	3.8	3.8	3.8	3.7
19. Punjab	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4
20. Rajasthan	4.7	5.0	5.2	5.2	5.2	5.2	5.3	5.2
21. Sikkim	Neg.	Neg.	Neg.	0.1	0.1	0.1	0.1	0.1
22. Tamil Nadu	7.5	7.1	6.9	6.9	6.8	6.8	6.8	6.6
23. Tripura	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
24. Uttar Pradesh	16.1	16.2	16.2	16.2	16.2	16.2	16.2	16.5
25. West Bengal	8.1	8.0	7.9	7.9	7.9	7.9	7.9	8.1
26. Union Territories	0.9	1.1	1.2	1.3	1.3	1.3	1.3	1.4
27. All India	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : Economic Survey, Govt. of India.

Table XII—19 : Percentage of Literates to Estimated Population Aged 7 Years and above

		1981			1991		
		Persons	Males	Females	Persons	Males	Females
1.		2.	3.	4.	5.	6.	7
States							
1.	Andhra Pradesh	35.66	46.83	24.16	45.11	56.24	33.71
2.	Arunachal Pradesh	25.54	35.11	14.01	41.22	51.10	29.37
3.	Assam	NA	NA	NA	53.42	62.34	43.70
4.	Bihar	32.03	46.58	16.51	38.54	52.63	23.10
5.	Goa	64.71	76.01	55.17	76.96	85.48	68.20
6.	Gujarat	52.21	65.14	38.46	60.91	72.54	48.50
7.	Haryana	43.85	58.49	26.89	55.33	67.85	40.94
8.	Himachal Pradesh	51.17	64.27	37.72	63.54	74.57	52.46
9.	Jammu & Kashmir	32.68	44.18	19.55	NA	NA	NA
10.	Karnataka	46.20	58.72	33.16	55.98	67.25	44.34
11.	Kerala	81.56	87.74	75.65	90.59	94.45	86.93
12.	Madhya Pradesh	34.22	48.41	18.99	43.45	57.43	28.39
13.	Maharashtra	55.83	69.66	41.01	63.05	74.84	50.51
14.	Manipur	49.61	64.12	34.61	60.96	72.98	48.64
15	Meghalaya	42.02	46.62	37.15	48.26	51.57	44.78
16.	Mizoram	74.26	79.37	68.60	81.23	84.06	78.09
17.	Nagaland	50.20	58.52	40.28	61.30	66.09	55.72
18.	Orissa	40.96	56.45	25.14	48.55	62.37	34.40
19.	Punjab	48.12	55.52	39.64	57.14	63.68	49.72
20.	Rajasthan	30.09	44.76	13.99	38.81	55.07	20.84
21.	Sikkim	41.57	52.98	27.35	56.53	64.34	47.23
22.	Tamil Nadu	54.38	68.05	40.43	63.72	74.88	52.29
23.	Tripura	50.10	61.49	38.01	60.39	70.08	50.01
24.	Uttar Pradesh	33.33	47.43	17.18	41.71	55.35	26.02
25.	West Bengal	48.64	59.93	36.07	57.72	67.24	47.15
Union Territories							
1.	Andman & Nicobar Islands	63.16	70.28	53.15	73.74	79.68	66.22
2.	Chandigarh	74.81	78.89	69.31	78.73	82.67	73.61
3.	Dadra & Nagar Haveli	32.70	44.69	20.38	39.45	52.07	26.10
4.	Daman & Diu	59.91	74.45	46.51	73.58	85.67	61.38
5.	Delhi	71.93	79.28	62.57	76.09	82.63	68.01
6.	Lakshadweep	68.42	81.24	55.32	79.23	87.06	70.88
7.	Pondicherry	65.14	77.09	53.03	74.91	83.91	65.79
	India*	43.56	56.37	29.75	52.11	63.86	39.42

NA = Not Available.

* Literacy rates for 1981 exclude Assam where the 1981 Census could not be held and the literacy rates for 1991 exclude Jammu & Kashmir where the 1991 Census is yet to be conducted. The literacy rates for India for 1981 and 1991, excluding Assam and Jammu & Kashmir work out as under :—

	Persons	Males	Females
1981	43.66	56.49	29.84
1991	52.07	63.90	39.31

Source : Provisional Population totals (Paper-1, Series-1), Census of India, 1991 Registrar General and Census Commissioner, India March 1991.

Category—wise, in Kerala, males recorded the highest percentage at 94.5 per cent, followed by Lakshadweep, Daman & Diu, Goa and Mizoram with percentages of 87.1 per cent, 85.7 per cent, 85.5 per cent and 84.1 per cent, respectively.

As regards females Kerala recorded the highest percentage of 86.9 per cent followed by Mizoram with 78.1 per cent, and Chandigarh with 73.6 per cent. The lowest prcentage of 20.8 per cent was recorded by Rajasthan.

APPENDIX - I

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS (APRIL 1991 - MARCH 1992)

CHANGES IN EXPORT CONTROL

Sr. No	Item	Month	Details
1	2	3	4
1	Jaggery (Gur)	April 1991	The ceiling was enhanced during the period 1.10.1990 to 30.9.1991 from 5,000 MT to 10,000 MT. The validity of the export licences was upto to 30th June, 1991.
2.	Jaggery (Gur)	May 1991	Validity of the export licences was extended till 30th September, 1991.
3	Manufactured articles made out of porcupine quills and shed articles of chital and sambhar	May 1991	Export was allowed within prescribed limited ceiling.
4	Non-basmati Rice	June 1991	Export was allowed within a limited ceiling which was placed at the disposal of the Agricultural & Processed Food Products Export Development Authority (APEDA), New Delhi.
5	Silvered mica, mica flake & fabricated mica	June 1991	The Minimum Export Price (MEP), fixed in US dollar will be rupee equivalent of US dollar on the date of contract for export to the Rupee Payment Area (RPA) countries.
6.	Ban on trade with Iraq & Kuwait.	June 1991	The ban on trade with Iraq was partially lifted in the case of medicines, foodstuffs, materials and supplies for essential civilian needs with immediate effect.
7	Aluminium alloys & ingots	July 1991	Export of unwrought aluminium and unwrought aluminium alloys was allowed on de-controlled basis with immediate effect.
8	Export contracts in foreign convertible currency	July 1991	In all export contracts with foreign buyers in General Currency Area (GCA) countries, the sale price was to be given only in foreign convertible currency.
9	Basmati Rice	July 1991	The MEP was increased from Rs. 9,500 per MT (f.o.b.) to Rs. 11,500 or US $ 555 per MT (f.o.b.) whichever is higher with immediate effect.
10	Polyester filament yarn (all types)	July 1991	Export was decontrolled and no export certificate was required to be issued by the Synthetic & Rayon Textiles Export Promotion Council, Bombay.
11	Non-basmati Rice	August 1991	A variation of 1 per cent on account of exchange fluctuations will be ignored on the MEP of Rs. 6,000/- per MT (f.o.b.).
12	Calcined magnesite with silica content of 7.5 per cent and above	August 1991	Export was allowed against a limited ceiling.
13	Decanalisation of export items	August 1991	Export of the following items was allowed on decanalised basis; castor oil when exported to Rupee Payment Area (RPA), polythylene (L.D), coal and coke other than SLV coal, colour picture tubes, ethyl alcohol, exposed cinematographic films and video taped cinema films, mill scale scrap, black iron ore, railway passenger coaches and locomotives, raw jute, mesta and jute cuttings, low grade bauxite.

Sr. No	Item	Month	Details
1	2	3	4
14	Culled live sheep and goats (adult)	August 1991	The MEP was fixed at US $ 900 per MT (f.o.b.).
15	Dispensation of condition of pre-shipment inspection	September 1991	The condition of pre-shipment inspection on the export of agricultural products and other items had been dispensed with on producing a firm letter from the overseas buyer stating that the overseas buyer does not want pre-shipment inspection from any official Indian inspection agencies and files it with the concerned customs authorities at the time of shipment.
16	Processed mica including mica blocks, mica films and splittings of all grades and varieties excluding mica waste and mica scrap	October 1991	All contracts for exports were to be registered with MITCO/MMTC at the respective ports of exports within 15 days of signing of the contract(s) or first shipment against such contract(s) whichever was earlier.
17	Brown sea weeds and agrophytes excluding G. edulis of Tamil Nadu coast origin in processed form	January 1992	Export was allowed within a limited ceiling subject to the condition of production of a certificate of pre-shipment inspection before actual exports from regional and sub-regional offices of the Marine Products Export Development Authority.
18	Low grade bauxite with alumina content Al_2O_3 below 54 per cent of west coast origin	January 1992	Export was allowed under Open General Licence subject to the MEP of US $ 14 per MT for 53/11 Grade and US $ 13 per MT for 50/15 Grade.
19	Cereal – based weaning foods containing less than 50 per cent of milk solids by weight	February 1992	Export was allowed on a decontrolled basis.
20	Flue-cured virginia, sun-cured virginia and sun-cured Natu (country) tobacco	March 1992	Export was allowed only subject to a MEP with immediate effect.

APPENDIX - II
A-IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY
(April 1991 - March 1992)

Sr. No.	Item	Month	Details
1.	2.	3.	4.
1	REP Import Licences linked to realisation of export proceeds	April 1991	A structural change has been made in the system of issuing import replenishment licences. Henceforth, REP licences will be issued only after realisation of export proceeds. In addition to the prescribed documents the exporter has to furnish a certificate from the authorised dealers in foreign exchange through whom export documents were negotiated.
2	Additional Licences linked to realisation of export proceeds	May 1991	Additional Licences and Special Additional Licences to Export Houses, Trading Houses and Star Trading Houses will be issued only after realisation of export proceeds.Where the export proceeds have been realised only for a part of the exports, licences will be issued only to the extent of the export proceeds realised.
3	REP import liberalised against exports of colour TV sets and Two- in-One, etc. to GCA	May 1991	With the incorporation of a new entry in Part III of Appendix 17, of Import Policy, 1990-93, import of populated/loaded PCBs and Video tape deck mechanisms are allowed against export of Colour T.V. sets to General Currency Area (GCA).
4	Export obligation to be discharged in terms of U.S. dollar only	May 1991	Henceforth, all the licences with any type of export obligation shall represent the obligation in terms of U.S. dollar only. The provisions of this public notice will not apply to export obligations already issued.
5	Metallurgical coke removed from OGL	May 1991	Metallurgical coke (Ash content below 15 per cent) has been removed from OGL and included in Appendix 3-A of Import Policy, 1990-93.
6	Star Trading Houses as agents to import OGL items	June 1991	Star Trading Houses having valid StarTrading House certificate can also act as agents for the import of OGL items on behalf of actual users.
7	Grace period for Export/Trading Houses extended	June 1991	The grace period for Export and Trading Houses has been extended from six months to one year.
8	Delegation of power to Free Trade Zones, Export Processing Zones and 100 percent EOUs approved	June 1991	It has been decided to delegate more powers to the Development Commissioners of the Export Processing Zones/Free Trade Zones and 100 percent Export-Oriented Units (EOUs) for being exercised by them under their respective charge subject to fulfilment of certain conditions. a) To permit capacity enhancement of products on regular and adhoc basis provided additional exports are with General Currency Area. b) To allow increase in the value of capital goods in terms of rupee owing to fluctuation in exchange rates.
9	Import Policy for cloves, cinnamon and cassia for 1991-92 announced	July 1991	Import licences for cloves, cinnamon and cassia for 1991-92 are granted at the rate of 5 per cent of the last year's imports in any of the licensing year from 1983-84 to the preceding licensing year subject to a minimum value of Rs. 5,000 for both the items put together.
10	Indian rupee value of the Special Currency Basket	July 1991	The Indian rupee value was fixed at Rs. 26.281 per rouble with effect from 1st June 1991, for the purpose of deferred payment contracts between India and USSR. It has been revised to Rs. 31.6402 per rouble with effect from 6th July, 1991.

Sr. No.	Item	Month	Details
1.	2.	3.	4.
11	Export obligation imposed on importers of cloves,etc.	July 1991	An addition of six more products have been made in items required to be exported by importers of spices - cloves and cinnamon/cassia towards fulfilment of export obligations, viz, (1) celery seeds in bulk (2) turmeric in bulk (3) chilly powder in bulk (4) curry powder in bulk (5) turmeric powder in bulk (6) export of all spice products in approved consumer packs of 1000 grammes or less,except spice oils and oleo resins and saffron.
12	Decentralisation of Advance Licensing work	July 1991	Three new Advance Licensing Committees have been constituted at Cochin, Jaipur and Varanasi. This decentralisation is intended to simplify the procedures which will expedite the process of issue of Advance Licences to exporters under the Duty Exemption Scheme and the Special Import Licences.
13	Procedure for issuing Exim scrips announced	July 1991	In pursuance of the new trade policy, the Ministry of Commerce have laid down the procedure for the grant of Eximscrips in place of REP Licences. The Eximscrip is proposed to be granted within 48 hours after the presentation of the claim for replenishment supported by a bank certificate of realisation. The denomination of Eximscrip has also been prescribed.
14	Enhanced replenishment rate for Eximscrip in respect of specified export products	August 1991	In respect of some specified value added export product, an additional import benefit at the rate 10 per cent of fob value of exports will be allowed in addition to the normal replenishment benefit prescribed. A list of such value added export products has been included in Appendix 18 of the Import Policy.
15	OGL items of raw materials and components allowed against old REP Licences also	August 1991	All REP Licences already issued or still to be issued on exports made up to 3.7.1991, shall also be valid for import of OGL items listed in Appendix 6, Unit 8, Part I and List 10 of Import Policy, 1990-93.
16	Additional REP licences to Export Houses and Trading Houses restored	August 1991	Entitlement for issuing Additional REP licences to export houses and Trading Houses has been raised from 5 per cent to 10 per cent of Net Foreign Exchange earnings on the total eligible exports made in the preceding licensing year.
17	Import of non-OGL capital goods against Additional REP licences subject to actual user condition	August 1991	Provision has been made for allowing Additional REP Licences to be used for import of permissible non-OGL capital goods which do not appear in Appendices 1-A, 2-B and 8 of Import Policy. Such imports will be subject to actual user condition. There is no upper value limit of non-OGL capital goods which can be imported under this facility but the importer will have to declare that the import sought to be made will not result in exceeding his licensed or approved capacity.
18	Licensing authorities authorised to revalidate Advance Licences	August 1991	The concerned licensing authority can revalidate duty free import licences granted under the Duty Exemption Scheme taking into account the merits of each case. Earlier, such revalidation could be made only by CCI&E.
19	REP entitlement increased for goods manufactured and exported under customs bond	August 1991	The entitlement for Special REP Licence in the case of goods manufactured and exported under customs bond has been raised from 10 per cent to 30 per cent of the value addition achieved from the cif value of imports to fob value of exports.

Sr. No.	Item	Month	Details
1.	2.	3.	4.
20	Advance Licences to indicate import and export value in free foreign exchange	August 1991	Advance Licences and Blanket Advance Licences except those relating to exports to be made to Rupee Payment Area, will specify the value in free foreign exchange both for the purpose of import and also export obligation. The currencies in which such values are denominated will be linked to those notified for this purpose by the RBI. This condition will not apply to Special Imprest Licences.
21	Sixty items removed from OGL	August 1991	About sixty items have been removed from OGL. The OGL pertaining to the imports of jigs, fixtures, dyes was suspended. After the expiry, the suspension period was not extended further. Import of rock salt, medical gas cylinders of 10.2 litre water capacity and below and import of CO_2 Gas Cylinders upto 15 litre capacity for fire extinguishers, computer software, pethidine hydro choloride have been removed from OGL. Most of these items are included in Appendix 3-A of Import Policy. In respect of raw materials, components and consumables which have been taken out of OGL, import under OGL or against REP/Additional Licences will be allowed to the extent of irrevocable letters of credit already opened and established.
22	Import licensing for cars replaced by OGL	August 1991	Issuing import licences for cars and vehicles of specified categories to eligible importers has been scrapped and replaced by OGL subject to specified conditions for each category of eligible importers. The OGL contains no sale period of 5 years in respect of certain categories but in respect of Indians returning home for permanent settlement, the no-sale period will not apply as at present. A further concession has also been given to Indian nationals that they can import even a new car upto engine size 1400 cc, under the Transfer of Residence Rules provided the payment has been made before their return.
23	15 per cent cut imposed on specified industries withdrawn	August 1991	The 15 per cent cut imposed on importers of raw materials, components, consumables and spares under OGL by actual users engaged in the manufacture of automobiles, electronic items and consumer durables has been withdrawn. Consequently, actual users engaged in these industries will be able to meet their requirements of raw materials, components and consumables under OGL subject to the conditions laid down, if they are not governed by Phased Manufacturing Programme.
24	Liberalisation in the item-wise Import Policy	August 1991	58 items of raw materials and components have been shifted from the restricted list to the list of limited permissible items. As a result of such shifting, it will be possible to import these items against Eximscrips within the full value of such scrips.
25	Replenishment policy for export of cut and polished diamonds modified	September 1991	The per carat realisation which was earlier expressed in terms of rupees has now been given in terms of U.S. dollars. In the process, there is also some increase in the per carat realisation for the purpose of issuing Eximscrips against exports of cut and polished diamonds.
26	Import of video tape deck mechanism liberalised	September 1991	Video tape deck mechanism including front and top loading cassettes mechanism will be allowed against export of colour picture tubes to the General Currency Area.

Sr. No.	Item	Month	Details
1.	2.	3.	4.
27	Grant of Eximscrips for exports to RPA in free foreign exchange	September 1991	Earlier, the REP licences granted on the exports to Rupee Payment Area (RPA) countries was valid for imports from RPA countries only. By this announcement, if the exports to Rupee Payment Area has been realised in free foreign exchange, the Eximscrip licence granted on such exports will be valid for import from all countries except South Africa, Iraq and Fiji, which means that such exports can also be utilised for import from GCA countries.
28	Duty Exemption Licence for suppliers of goods to specified fertiliser plants	October 1991	Deemed exports benefits had been given to suppliers of capital goods to specified fertiliser plants. Suitable changes have now been made to enable the suppliers of goods to the specified fertilizer plants to obtain Special Imprest Licences under the Duty Exemption Scheme.
29	New policy for grant of Export/Trading House status announced	November 1991	The existing policy relating to the recognition of Export Houses, Trading Houses and Star Trading Houses stands ammended and accordingly, trading companies primarily engaged in export activities and having foreign equity holdings upto 51 per cent will also be eligible to apply for recognition as Export Houses, Trading Houses and Star Trading Houses.
30	Liberal imports of non-OGL Capital goods against Eximscrips allowed	November 1991	Substantial changes are made in the policy for import of capital goods against Eximscrips. The main feature is to allow an Eximscrip to be utilised in its full value for the import of permissible non-OGL capital goods including instruments and accessories thereof and balancing equipment without the recommendation of the sponsoring authority, without indigenous clearance and without the advertisement procedure. The imports will not be subject to actual user condition and clubbing of Eximscrips is also allowed.
31	NTPC brought on par with facilities allowed to MMTC, STC,etc.	November 1991	Para 232(3) and (4) of Import Policy, 1990-93 has been amended which now allows NTPC to obtain Advance Licence through a registered manufacturer - exporter on the basis of export order obtained by it. With this, NTPC has been brought on par with facilities allowed to MMTC, STC, etc.
32	Documents to be furnished for redemption of export bond simplified	January 1992	Documents such as the statement of exports, the bank certificate and the declaration that exports will not be utilised for fulfillment of export obligation and bill of entry, have been deleted.
33	Import of capital goods against foreign equity	January 1992	Capital goods which are on OGL appearing in Appendix 1 (Part B) can be imported without a specific licence and non-OGL capital goods not appearing in Appendix - I are permitted to be imported against Eximscrip or a licence issued under the capital goods procedure. By way of further relaxation, it has been decided to do away with the requirement of a licence for import of capital goods under the scheme of direct foreign investment upto 51 per cent foreign equity in high priority industries.
34	Duty Exemption Scheme	January 1992	Transferable Advance Licence may be granted to provide duty free import of inputs on the exports of specified products. The Transferable Advance Licence will be issued on the post-export basis and after realisation of the export proceeds against physical exports.

Sr. No.	Item	Month	Details
1.	2.	3.	4.
35	Import Policy further liberalised	February 1992	Twenty eight items of raw materials, components and consumables have been shifted from the restricted list to the limited permissible list. This liberalisation in policy has been done with a view to increasing the premium on Eximscrips which had fallen down to a low level of 16 per cent.
36	Seventeen OGLs withdrawn	February 1992	Seventeen Open General Licences Nos. - 1 to 16 and No. 18 have been rescinded. The items covered by Open General Licence Orders which have since been rescinded can be imported freely by any person on the condition that (i) the foreign exchange required for import is obtained from the banking system at the market determined exchange rate and (ii) the item to be imported is not covered at the time of shipment by a negative list announced by Government. However, in the case of life saving drugs and equipment, foreign exchange will be provided by the Central Government on an application by issue of an Import Licences at the official rate of exchange.
37	Import of gold under Savings Clause of the Imports Control Order, 1955	February 1992	The Saving Clause of Imports Control Order, 1955 has been ammended to allow the import of gold upto 5 kgs. as part of baggage, by passengers of Indian origin or passenger holding a valid passport under the Passport Act, while coming to India for a period not less than six months of stay abroad The import duty on such gold shall be paid in convertible foreign currency. There will be no restriction on the sale of such imported gold.
38	Rifampicin put in the restricted list of Import Policy	March 1992	Rifampicin and its intermediates have been removed from the free import list and have been included in restricted list.
39	Export and Import Policy for April 1992 - March 1997	March 1992	New Export and Import Policy for the period 1992-97 was announced. The Policy contains number of new incentives for generation of exports. Duty free imports related to export production have been liberalised. The standard input - output and value addition norms for Duty Exemption Scheme have also been announced. Except for a limited number of items specified in negative list, all exports and imports are now free. The policy has also virtually eliminated canalisation of imports.
40	Export Promotion Capital Goods (EPCG) Scheme	March 1992	Capital goods may be imported at concessional rate of customs duty of 25 per cent or 15 per cent of the cif value of such goods subject to an export obligation equivalent to three or four times, respectively, from the date of customs clearance of the first consignment of such imported goods. Import of second-hand capital goods is also allowed subject to the condition that the export obligation as mentioned above shall be based on the cif value of the corresponding new capital goods and not of the second-hand machinery being imported.
41	Policy relating to the import of newsprint	March 1992	The item newsprint is included in the negative List of imports contained in Chapter XV of the Policy with the stipulation that it can be only imported against a licence. The actual user condition shall apply to the import of newsprint. The newspapers may import newsprint directly by themselves or through a newsprint handling agent authorised by them.

Appendix II

B-CHANGES IN IMPORT DUTIES
(April 1991 — March 1992)

Sr. No.	Date of Announcement	Changes announced
1	2	3
1.	25.7.1991	Donkey stallions, imported by Government of India or State Government for the purpose of breeding mules have been exempted from customs duty in excess of 35 per cent ad valorem.
2.	25.7.1991	Jaborandi leaves imported for manufacture of bulk drug pilocarpine (including its sales or esters of derivatives, if any) have been exempted from whole of customs duty as specified in the said First Schedule subject to certain conditions.
3.	25.7.1991	Lactose conforming to Homeopathic Pharmacopea of India Specification, imported for manufacture of homeopathic medicines have been exempted from customs duty in excess of the amount calculated at the rate of 15 per cent ad valorem and the whole of additional duty of customs leviable thereon under section 3 of the said Customs Tariff Act subject to certain conditions.
4.	25.7.1991	Chromite ore, fused magnesia, magnesia chrome sinters, magnesia lime sinters and magnesia-alumina sinters have been exempted from customs duty in excess of 55 per cent ad valorem.
5.	25.7.1991	Silicon carbide, imported for manufacture of crucibles, have been exempted from customs duty in excess of 35 per cent ad valorem.
6.	25.7.1991	Zirconium oxide and yttrium oxide, imported for manufacture of raw cubic zirconia, have been exempted from customs duty in excess of 35 per cent ad valorem and the whole of additional duty.
7.	25.7.1991	Zirconia bubbles, Tubular aluminia of purity 99 per cent and above, Calcined aluminia of purity 99 per cent and above, imported for the manufacture of refractory products, have been exempted from customs duty in excess of 55 per cent ad valorem.
8.	25.7.1991	Diethy Carbamoyl chloride Guanidine Hydrochloride and Cyanopyrazine have been exempted from whole of additional duty.
9.	25.7.1991	D Camphor Sulphonic Acid, Gallic Acid, Hexamethyl Disilazane and Trimethy Chlorosilane when imported for manufacture of D Alpha Phenyl Glycine, 3:4:5 Trimethoxy Benzaldehyde, 7 ADCA have been exempted from customs duty in excess of 45 per cent ad valorem.
10.	13.9.1991	Wood in the rough, Wood roughly squared and half squared, but not further manufactured have been exempted from auxiliary duty in excess of 5 per cent of the value.
11.	17.9.1991	Round abouts, swings and other fairground amusements and parts and accessories thereof imported for setting up of amusement parks, have ben exempted from customs duty in excess of 45 per cent ad valorem and whole of additional duty subject to certain conditions.
12.	1.3.1992	A basic customs duty of 40 per cent have been prescribed on ethyl benzone, styrene butene - 1 and pure octenes.
13.	1.3.1992	Specified furskins have been fully exempted from additional duty.
14.	1.3.1992	On parts required for the initial setting up, assembly or manufacture of machine tools, a basic customs duty at the effective rate and 'nil' additional duty have been prescribed.

Sr. No.	Date of announcement	Changes announced
1	2	3
15.	1.3.1992	A basic customs duty at the effective rate and 'nil' additional duty on dyeing machines for garment and hosiery industry and industrial sewing machines for leather and footwear industry and parts thereof have been prescribed.
16.	1.3.1992	A basic customs duty at the effective rate and 'nil' additional duty have been prescribed on flanged radial bearings imported for the manufacture of wheel chairs.
17.	1.3.1992	A basic customs duty and additional duty at effective rate have been prescribed on specified machinery/equipment required for the manufacture of the fly ash or phospho-gypsum based building materials.
18.	1.3.1992	An effective rate of basic customs duty has been prescribed on specified computers and computer peripherals.
19.	1.3.1992	A basic customs duty at the rate of 35 per cent on specified raw materials and piece parts for specified end uses in electronics industry have been prescribed.
20.	1.3.1992	Software in source code as printed matter on paper have been exempted from basic and additional customs duties.
21.	1.3.1992	Basic and additional customs duties at effective rate have been prescribed on specified raw materials and consumables for manufacture of undiffused silicon wafers.
22.	1.3.1992	A 'nil' additional duty have been prescribed on machinery and equipments for generation of electrical power including generating sets of capacity I MW and above.
23.	1.3.1992	Parts of wind operated electricity generators imported for their maintenance have been exempted from whole of basic customs duty and additional duty.
24.	1.3.1992	A basic duty of 35 per cent ad valorem has been prescribed on components and parts of motor vehicles falling under Chapter 82.
25.	1.3.1992	An effective rate of basic customs duty has been prescribed for crash tenders for fire fighting, chasis and components of crash tenders and chasis.
26.	1.3.1992	A basic customs duty of 3 per cent ad valorem has been levied on helicopters and certain parts of helicopters and tyre and tubes thereof.
27.	1.3.1992	Components and parts for repair of dredgers have been fully exempted from basic and additional customs duty.
28.	1.3.1992	Compressed Air Breathing Apparatus for fire fighting service have been fully exempted from customs duty.
29.	1.3.1992	The rate of auxiliary duty have been prescribed on components, parts of simulators of aeroplane.
30.	1.3.1992	The rate of auxiliary duty has been prescribed on component parts of machinery imported for initial setting up of a specified machinery.
31.	1.3.1992	The rate of auxiliary duty has been prescribed on copper wire bars, etc. produced out of copper reverts, etc. exported earlier.
32.	26.3.1992	Components of fuel efficient light commercial motor vehicles required for the manufacture of such fuel efficient light commercial motor vehicles of payload not exceeding 4,000 kgs., have been exempted from customs duty in excess of 20 per cent ad valorem and whole of additional duty, subject to certain conditions.
33.	26.3.1992	Components of fuel efficient light commercial motor vehicles employing indirect injection (IDI) engines required for the manufacture of such fuel efficient light commercial motor vehicles of pay load not exceeding 4,000 kgs., have been exempted from customs duty in excess of 20 per cent ad valorem and whole of additional duty, subject to certain conditions.

APPENDIX - III

IMPORTANT TRADE AGREEMENTS/TRADE PROTOCOLS ETC. SIGNED BETWEEN INDIA AND OTHER COUNTRIES (APRIL 1991 - MARCH 1992)

Sr. No.	Country	Date of Agreement/ Trade Protocol/Trade Plan Review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of Exports & Imports from/to India	New Commodities of Exports/ Imports added in the Protocol	Remarks
1	2	3	4	5	6	7
1.	Uzbekistan	Trade Agreement 24.10.1991	Valid upto December 31, 1993 with the provision that it may be extended by mutual consent through the exchange of notes upto December 31, 1995.	–	**Exports** : Tea, coffee, instant coffee, pepper, black cardomam and other spices, cashew kernels, H.P.S. groundnuts, white sesame seeds, cigarettes, specified minerals and ores, chemicals and allied products, leather and leather manufactures, textiles and engineering goods. **Imports** : Agricultural products, minerals, ores and non-ore materials, chemicals and allied products, petroleum products, products of metallurgy industry, textiles, readymade garments and machine building equipments.	In accordance with this agreement and exchange of letters between the contracting parties dated January 28, 1992 (Trade Protocol), import and export of goods between the two countries in the calendar year 1992 shall be effected on a balanced basis in respect of specified goods. Cotton, cotton fibre, urea, copper with bars and liquid ammonia for import by India and tea, black pepper, cardamom and other spices, cashew nuts, white sesame seeds, medicines, tooth paste, pesticides, artificial canvas leather, shoe uppers, cotton fabrics, colour TV tubes, small cement plant and hotel project for export from India to Uzbekistan. The import and export of goods shall be carried out on the basis of contracts concluded between physical and juridical persons of both sides and would be denominated at international prices in internationally accepted and convertible currencies. All payments arising out of trade transactions of the protocol will be designated in Clg. US dollars. There shall, however, be no outflow/inflow of US dollars from/to India on account of trade transactions under the Protocol. The Government of India has also agreed for technical credit to Uzbekistan within the overall limit of Clg. US $ 3.3 million, of which, Clg. US $ 1.7 million is for advance utilisation to facilitate trade under the protocol.
2.	China	Trade Protocol 13.12.1991	Valid for the calendar year 1992	**Exports** : Coffee, iron ore, leather and dyes. **Imports** : Raw silk and silk yarn, pulses and chemicals.	**Exports** : Iron ore, chrome ore, tea, tobacco, chemicals, engineering products, jewels and processed diamonds and synthetic fibre and yarn.	In terms of trade protocol both the countries have agreed that to the extent possible they will encourage direct trade between the two countries. The two countries development in absorption and upgradation of technology will be taken advantage of by mutual sharing of information for transfer of technology on mutually acceptable terms.

Sr. No.	Country	Date of Agreement/ Trade Protocol/Trade Plan Review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of Exports & Imports from/to India	New Commodities of Exports/ Imports added in the Protocol	Remarks
1	2	3	4	5	6	7
					Imports : Newsprint, raw silk and silk yarn, agricultural products, metals and minerals including cooking coal, chemical and petroleum products etc.	
		Protocol on Indo-China Border Trade 1.7.1992	2 years since the date of signing	–	–	The border trade envisages overland trade and the exchange of commodities by the residents along the border. Both the countries have presently agreed to establish border trade at (a) Pulan in Tibet autonomous region of China and (b) Gunji in Pithoragarh district of Uttar Pradesh.
3.	Kazakhstan	Trade Agreement 22.2.1992	Valid for a period of 5 years. The period of validity of the agreement shall be automatically extended for further successive periods of five years unless either of the contracting parties informs the other party in writing of its intention to cancel the agreement at least six months prior to its expiry.	–	–	The contracting parties shall accord to each other Most Favoured Nation (MFN) treatment in all matters of trade and commercial co- operation. The trading of goods between natural and juridical persons of the two countries and contract to be concluded between them shall be carried out in conformity with their laws and regulations and on the basis of international prices and denominated in freely convertible currencies. Payments and settlements may however be made in a manner agreed upon between the two parties.
		Trade Protocol 3-4-1992	Valid for the calendar year 1992	–	**Exports** : Tea, coffee, black pepper, dehyderated lemon extract (powder), medicines and pharmaceuticals preparations, detergents, linoleum, leather goods, shoe upper soles, textile goods, readymade garments, cotton hosiery mohair goods, shampoos, sanitary ware, consumer goods and machinery equipment, materials and services for civil and individual projects being undertaken by Indian parties in Kazakhstan.	An indicative list of goods to be exported and imported during 1992 provides for a balanced trade with total turnover of US $ 140 million. The trade protocol envisages trade with contracts, denominations, settlements and payments in freely convertible international currencies. The transactions will be settled either through bank accounts in convertible currencies maintained by commercial banks in India and Bank of Foreign Trade of Republic of Kazakhstan with their correspondents abroad or through accounts maintained by the Bank

Sr. No.	Country	Date of Agreement/ Trade Protocol/Trade Plan Review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of Exports & Imports from/to India	New Commodities of Exports/ Imports added in the Protocol	Remarks
1	2	3	4	5	6	7
					Imports : Diesel, fuel, lead copper, cathodes, zinc, pig iron, cotton fibre, hides and skin die-ammonium phosphats, synthetic rubber, power and electro technical equipments inclusive turbines etc., machine tools, mining equipment and spare parts, agricultural machines and spares steel, rolling mills.	of Foreign Trade of Republic of Kazakhstan with one or more commercial banks in India authorised to deal in Foreign exchange. The Reserve Bank of India and Bank of Foreign Trade of Republic of Kazakhstan shall permit the Kazakhstan exporter of goods to India and/or their banks to open special escrow accounts in India for utilisation on terms and conditions as may be prescribed by the Reserve Bank of India. The funds in the accounts in convertible currencies would also be allowed to be utilised to settle all claims arising out of expenditure incurred by an Indian on Kazakhstan parties for projects in Kazakhstan or in India as the case may be.
4.	Russian Federation	Trade Agreement 22.2.1992	Valid upto December 31.1992	**Exports** : Tea, Coffee, rice, spices, oil meal, leather manufactures, chemicals, engineering goods, electronic goods and jute manufactures. **Imports** : Crude oil, pulp and waste paper, coal, coke and briquettes, inorganic chemicals, fertilizers manufactured, newsprint, machinery and project goods.	**Exports** : Tea, coffee, black pepper, other spices, soyabean extraction, HPS groundnuts, tobacco, wire enamel, lac terebac, processed and packaged fruit products, castor oil, medicines, veterinary preparations, shoe uppers, finished leather, cigarettes, dye stuffs, lemon chrome, paints and enamels, footwear materials, linoleum, jute bags, printed cloth, freight containers, cosmetics, detergents, ready-made garments, books, periodicals, stamps, gramophone records. **Imports** : Crude oil, diesel, kerosene, rolled steel products, copper, newsprints, nickel, palladium, polythelene, synthetic rubber, Asbestos, sawn goods, wood pulp, books, periodicals, gramophone records, audio and video cassettes and special equipment parts and components.	Exports of goods from India to the Russian Federation and from the Russian Federation to India shall be effected on a balanced basis in accordance with the list of goods provided in the agreement. The total trade turnover for the calendar year 1992 was $ 2200 million.

Sr. No.	Country	Date of Agreement/ Trade Protocol/Trade Plan Review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of Exports & Imports from/to India	New Commodities of Exports/ Imports added in the Protocol	Remarks
1	2	3	4	5	6	7
	Russian Federation	Memorandum of Understanding 5-5-1992	–	–	**Exports** : The advance utilisation of technical credit to the extent of US $ 85 million for export of goods from India will be used by exporting tea ($ 32 million), coffee ($ 15 million), tobacco ($ 25 million), spices including black pepper ($ 2 million), cigarettes ($ 4 million), medicines ($ 3 million) and fruit pulp concentrates ($ 4 million)	Pending finalisation of the modalities for carrying out trade under Trade Protocol and consequential amendments to the agreement in the light of introduction of Liberalised Exchange Rate Management System (LERMS), this MOU was signed whereby Government of India agreed to the advance utilisation of technical credit to the extent of US $ 85 million for exports of goods from India. The import and export of goods shall be carried out on the basis of contracts concluded between natural and juridical persons of the two countries at internationally competitive prices and denominated in US dollars. Payments of these transactions will also be made in US dollars from/to India on account of trade transactions under the Trade Agreement. There shall, however, be no outflow/ inflow of US dollars from/to India on account of the trade transactions under the Agreement.
5.	Kyrghyzstan	Trade Agreement 18.3.1992	Valid for a period of 5 years. The period of validity of this agreement shall be automatically extended for further successive period of 5 years unless either of the contracting parties informs the other party in writing of its intention to cancel the agreement at least six months prior to its expiry.			Both sides have decided to conduct their two-way trade on the basis of international prices in freely convertible international currencies and accord to each other the Most Favoured Nation (MFN) treatment in all matters of trade, commercial and scientific co-operation. Import and export of goods and services shall take place on the basis of the contracts to be concluded between the natural and juridical persons of the two countries at international prices in accordance with their respective laws and international co-operation.
6.	Ukraine	Trade Agreement 27.3.1992	Valid for a period of 5 years. The agreement shall be automatically extended for further successive period of 1 year unless either of the contracting parties			Both the countries shall accord to each other Most Favoured Nation (MFN) treatment in all matters of trade and commercial co- operation. Imports and exports of goods and services shall take place on the basis of the contracts concluded between the natural and juridical persons of the two countries at

Sr. No.	Country	Date of Agreement/ Trade Protocol/Trade Plan Review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of Exports & Imports from/to India	New Commodities of Exports/ Imports added in the Protocol	Remarks
1	2	3	4	5	6	7
			inform the other party in writing of its intention to cancel the agreement at least six months prior to its expiry.			international prices in accordance with their respective laws and regulations and international trade practices.
7.	Turkmenistan	Trade Agreement 20.4.1992	Valid for a period of 5 years. The period of validity of this agreement shall be automatically extended for further successive period of 1 year unless either of the contracting parties inform the other party in writing of its intention to cancel the agreement at least 6 months prior to its expiry.	–	–	Both the countries provided to each other the Most Favoured Nation (MFN) treatment in all matters of trade and commercial co- operation. All payments of a commercial and non-commercial nature between India and Turkmenistan shall be made in freely convertible international currencies unless otherwise specifically agreed upon between the two contracting parties. Natural and juridical persons of either country shall also be free to import or export goods and services from each other on the basis of countertrade, compensation arrangements, leasing and buy-back arrangements or any other form of internationally recognised form of business co-operation.
8.	Romania	Trade Plan 25.7.1992	Valid for calendar year 1992	**Exports** : Cocoa extractions, soyabean meals, iron ore and iron-ore pellets, manganese ore, engineering goods etc. **Imports** : Capital goods, machinery, machine tools, ball rollers and taper bearings, rolled steel products, casting pipes, railways equipments, fertilizers, PVC, Polyethylene etc.	–	The Trade Plan for 1992 provides for a total turnover of Rs. 510 crore with imports from Romania of the order of Rs. 270 crore and exports to Romania from India of the order of 240 crore. The trade will be in non-convertible Indian Rupee.
9.	Bangladesh	Extension of Trade Agreement from 4.10.92	3 years	**Exports** : Engineering goods, transport equipment, textile yarn, coal, dyeing, tanning and colouring material, electrical and non- electrical machinery, chemical and foodstuffs etc. **Imports** : Newsprints, hides, books, periodicals and chemical	–	The trade with Bangladesh is effected in freely convertible currencies in accordance with the foreign exchange regulations in force in each country from time to time.

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